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**EUROPE 2020  
CYPRUS NATIONAL REFORM PROGRAMME**

APRIL 2020

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## 1. INTRODUCTION

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The National Reform Programme (NRP) for 2020 is submitted at a highly challenging period following the outbreak of the COVID -19 crisis. The NRP was largely prepared prior to the crisis on the basis of the guidelines issued by the European Commission in October 2019, but has also taken into account the revised guidelines issued by the European Commission in April 2020.

The government's response to the pandemic is presented in the current introductory chapter, through a description of the overall strategy and the main policy response measures, taken in order, on the one hand, to arrest the spread of the virus and save human lives and, on the other, to contain the socioeconomic impacts of the crisis.

The Cyprus economy grew at a satisfactory rate, 3,2% in 2019, and the labour market continued to perform strongly with unemployment, including youth unemployment, declining markedly, while inflation was low. These developments were supported by progress in the financial sector and continued robust fiscal performance with favourable effects on debt sustainability. Debt had continued its downward trend supported inter alia by strong real growth and active debt management. Moreover, the improvements in the macroeconomic environment were complemented by the implementation of wide ranging structural reforms.

However, the COVID -19 crisis has global ramifications and its full impact is still difficult to assess accurately. The economic outlook for 2020 is characterized by uncertainty. An initial assessment of the expected impact of the crisis is presented in chapter 2, but the final outcome will depend on the depth and duration of the crisis and its impact on internal and external demand as well as on supply chains.

The structural and other reform priorities of the Government as outlined in the rest of the chapters of the NRP are focused on the key challenges identified in the 2019 Council Country Specific Recommendations<sup>1</sup> and the 2020 Country Report for Cyprus<sup>2</sup> published by the European Commission within the framework of the refocused European Semester, whilst other national reform priorities are also included. The Government's strategy and priorities as regards investment including in the context of the utilization of EU funds, is also presented. The above priorities relate to the situation prior to the onset of the pandemic and may need to be revised in the light of the fuller assessment of the impact of the crisis on public finances and policy needs.

In summary the main reform priorities presented in the NRP relate to:

- Increasing the efficiency of the Public and Local Administration and enhancing the governance of State Owned Enterprises.
- Reducing further the high level of non-performing loans and strengthening the supervision capacity in the non-bank financial sector.
- Improving the quality of Active Labour Market Policies, particularly for young people.
- Further promoting the reform of the education and training system and enhancing childhood care.

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560258358847&uri=CELEX%3A52019DC0513>

<sup>2</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1584543810241&uri=CELEX%3A52020SC0512>

- Implementing and preserving the long-term sustainability of the National Health System.
- Enhancing productive investment focusing on sustainability and competitiveness priorities, improving the business environment.
- Improving the efficiency of the Judicial System.
- Accelerating of anti-corruption reforms.
- Promoting social and environmental sustainability.

These priorities and the policies and measures associated with them are in line with the goals of establishing a sustainable pattern of long term growth. They are also in line with the priorities set out in the Annual Sustainable Growth Survey<sup>3</sup>.

The overall strategy and main measures undertaken by the government in response to the COVID-19 pandemic are outlined below:

## **Overall strategy and policy initiatives in response to COVID-19**

### **1.1 Overall Strategy**

The COVID-19 pandemic has caused major social and economic disruption. In this context the Government of Cyprus has taken significant steps to protect public health and reduce the severity of the outbreak. The strategy adopted for dealing with the crisis is divided into 3 main stages as described below. It should be noted that the transition from one stage to the next will be largely determined by epidemiological data.

#### **(a) Stage 1: Full restrictive Measures - Economic Support Programme to deal with COVID-19 impact**

Since the 11<sup>th</sup> March 2020, the national authorities have gradually introduced restrictive measures in order to protect citizens from the pandemic. The aim is to contain the spread of the COVID-19 within the population so as to protect public health by preventing dramatic loss of life and a collapse of the national health system. Nevertheless, these measures have significantly reduced economic activity across several sectors of the economy.

In order to prevent the current disruption from having a longer lasting negative impact and to contribute decisively to the collective response that is essential for the European Union at this critical juncture, the government has announced a comprehensive fiscal package to support the real economy which has been severely hit and to cushion the effect on people and businesses. This was prepared on the basis of an extensive consultation process held between political parties and social partners.

The aim of this temporary package is two-fold: to safeguard income and employment in the short term through the support of the working people and businesses, as well as the vulnerable groups. The overarching goal is to keep businesses afloat and minimise, to the extent possible, layoffs in order to enable the Cyprus economy to gear up again quickly when the restrictions are lifted. The measures adopted are described in section 1.2 below.

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<sup>3</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1578392227719&uri=CELEX%3A52019DC0650>

## **(b) Stage 2: Gradual re-opening of businesses**

The Government will aim at gradually lifting the restrictive measures in key areas of the economy, based on epidemiological data, in a coordinated manner so that the effort to contain the spread of the virus in Cyprus is not jeopardized.

## **(c) Stage 3: Strategy for restarting the economy**

The Strategy will be flexible and able to adapt according to epidemiological data, allowing economic activity to be carried out without unnecessary health risks. The Strategy will aim, among others, at:

- Mitigating the effects in the sectors most affected by the crisis.
- Supporting viable businesses, further developing the digital technology sector, including the promotion of telecommuting and the provision of government services online.
- Supporting those sectors that can retain more jobs.
- Promoting development projects/policies that will have the greatest positive impact on the labour market.
- Utilising the new tools introduced by the EU in order to tackle the crisis.

## **1.2 Measures adopted in response to COVID-19 crisis**

### **1.2.1 Support package**

The **support package during Stage 1** includes measures that are of a temporary and one-off nature and provide direct support to companies and employees through direct transfers, tax reliefs and increased liquidity, as follows:

#### **(a) Income support and protection of employees and vulnerable groups**

- Granting 'Special Absence Leave' to parents working in the private and public sector for the care of children up to 15 years of age due to suspension of the operation of private and public schools, nurseries and child care centers. During the parental leave, a proportion of the wage will be granted as "parental leave benefit" and it is proportionate to the wage level. The leave will be granted to one of the parents and if one parent receives the leave under reference, the other cannot receive a corresponding leave at the same time. Also, if one parent works / receives unemployment benefit/participates in a Work Suspension Plan and the other does not, the working parent is not entitled to it, unless the non-working parent has contracted COVID-19 or is being hospitalised or is a person with a disability, or is a person under compulsory restriction. The parental leave will be granted if the nature of the work does not allow for teleworking or working from home or working part-time.
- Operations Suspension Scheme for full or partial suspension of businesses and the self-employed operating the sectors where activities have been either totally or partially suspended by the restrictive measures imposed by the government, by providing unemployment benefit.
- Small Business Support Scheme, for companies that employ up to 5 people,

provided that they retain their employees at work and have experienced a turnover decrease by more than 25%. The Scheme provides for a subsidy of 70% of employees' wages.

- Remuneration scheme for the employees in the afternoon programs of the Ministry of Education, Culture, Sport and Youth (MoECSY) (€3 mln).
- Provision of 'sickness allowance' to specific groups:
  - i. Employees with certain health issues that are included in the List prepared by the Ministry of Health (MoH), who must be absent from work for the purpose of protecting their health.
  - ii. Employees in mandatory absence from work following the restrictions plan of the Authorities (Category 1 [mandatory restriction under medical supervision (quarantine)] and Category 2 [self-restriction under telephone monitoring]).
  - iii. Persons over the age of 63 until the age of 65, who do not receive a statutory pension and continue to work and who fall into Categories 1 and 2 of the MoH.
  - iv. The same benefit will also be paid to self-employed workers.
- Extension by one month of the submission period during which self-employed persons can lodge Social Insurance complaints/objections.
- Creation of mobile units to serve the elderly and vulnerable groups.
- Suspension of evictions for two months.
- Student Residence Allowance: €750 allowance is provided to cover the expenses of students studying at university institutions abroad and who will not return to Cyprus during the Easter holidays

**(b) Tax relief measures and certain contributions suspensions**

- Postponement of the repayment of overdue social contributions in installments: for the participants in this scheme, repayment will be postponed for two months.
- Temporary suspension for two months of the obligation to pay VAT contributions in order to provide liquidity to businesses. It is noted that arrangements will be made so that the debts are paid gradually, at a later stage.
- For the period under which the restrictions hold, special arrangements will be made to facilitate those who participate in the Scheme for the settlement of overdue taxes.
- Extension of the obligation to submit income tax returns for two months for those who were obliged to do so by 31.3.2020 (the measure covers companies and the self-employed).
- Advance payment of VAT by certain categories of tax payers in the interest of the national economy (supermarkets, pharmacies, etc.).
- Suspension of the requirement to withhold guarantees under state and private sector contracts for the supply of services or products that will be delayed due to the crisis.

**(c) Reinforce the health system**

- Provision of additional funding of €100 mln, if needed, in order to cope with additional spending needs in relation to the pandemic.
- Suspension of the additional contribution to the National Health System (NHS) which was scheduled to commence on 31.3.2020 for three months, by employers, employees and the state. This aims to provide liquidity to companies and households, but also release

public funds to be re-directed to the health sector as additional funding in the efforts to combat COVID-19. It is noted that the schedule for the implementation of the 2<sup>nd</sup> Phase of the NHS is not affected. In case of increased needs for the implementation of the 2<sup>nd</sup> Phase of the NHS, these will be covered by the state.

**(d) Support for Tourism recovery**

Provision of additional €11 mln for the implementation of actions to support tourist flows to Cyprus, between June and September 2020, in cooperation with airlines and travel operators, as well as actions to support the attraction of tourists during the period October 2020 - March 2021.

**(e) Support provided by the banking sector**

– **Suspension of loan installments for enhancing liquidity**

Payment moratorium for nine months, to apply to credit-worthy borrowers that are affected by the restrictive measures imposed by the authorities. Eligible borrowers are natural and legal person, semi-governmental organisations, self-employed and businesses provided they had no delays in paying over 30 days on the 29<sup>th</sup> February 2020. These temporary measures apply for a period from 30<sup>th</sup> March 2020 till 31<sup>st</sup> December 2020. The moratorium covers capital, interest and compound interest payments.

– **Supervisory and macroprudential measures taken by the Central Bank of Cyprus (CBC)**

Further to the supervisory measures announced by the European Central Bank (ECB) Banking Supervision on 12<sup>th</sup> March 2020, the CBC announced a set of national measures on 18<sup>th</sup> March. They include a release of capital and liquidity (about €100 mln) for banks directly supervised by the CBC ('Less Significant Institutions'), simplification of documentation requirements for new short-term loans and other credit facilities, encouraging banks to restructure loans to affected credit-worthy borrowers including providing payment moratorium for nine months and to apply favourable interest rates for new loans and newly restructured loans, and simplification of approval processes for loan restructuring.

More specifically, the CBC implemented the following measures:

- Following the ECB Banking Supervision announcement of 12<sup>th</sup> March 2020, providing temporary capital and operational relief to the Significant Institutions in reaction to Covid-19, the Board of Directors (BoD) of the CBC decided the implementation of the same measures to the Less Significant Institutions (LSIs) operating in Cyprus. In particular, the following measures have been announced and will be implemented to the LSIs:
  - Relief in the composition of Pillar 2 Requirements (P2R) by bringing forward the Capital Requirements Directive (CRD) V allowing banks to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example Additional Tier 1 or Tier 2 instruments, to meet the Pillar 2 Requirements.
  - Allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the liquidity coverage ratio (LCR).

- Operational relief as far as the frequency of submission of various supervisory reporting is concerned.
- As per the recommendation issued by the ECB to the National Competent Authorities on 27<sup>th</sup> March 2020, in relation to dividend distributions and share buy-backs, the CBC issued on 6<sup>th</sup> April, a circular to the Less Significant Institutions (LSIs) (), asking them to refrain, until 1<sup>st</sup> October 2020 from:
  - Any dividend distribution.
  - The issuance of any irrevocable commitments to pay out dividend for the financial year 2019 and 2020.
  - Any share buy-back aimed at remunerating shareholders.

Should an LSI be unable to comply with this recommendation it should immediately explain the underlying reasons to the CBC.

- Through a Circular issued to credit institutions on 30<sup>th</sup> March 2020, relaxations have been provided to all credit institutions from the requirements of the Loan Origination Directive issued by the CBC. In particular:
  - The circular applies to borrowers, natural and legal persons whose financial situation has been negatively affected (quantifying the deterioration to the financial condition) as a result of the Covid-19 outbreak, who had less than 30 days in arrears as at 31<sup>st</sup> December 2019, and do not have any non-performing exposure with another institution, and are existing customers of the credit institution (eligible borrowers).
  - The above eligible borrowers, can apply for a short term loan/overdraft to cover their short term liquidity needs/working capital. The duration of the loan can be up to 12 months.
  - A cap has been included on the amount that a borrower can apply for based on their income/revenues.

For the eligible borrowers, applying for a loan/overdraft meeting the above characteristics, banks may temporarily not apply the provisions of the said Circular and only accept information confirming the eligibility of the borrower and that there is satisfactory information on the borrower's repayment ability. In addition, banks are recommended to follow fast assessment and approval processes for these type of loans with reduced/reasonable fees and charges. The relaxation applies to the eligible applications received till 31<sup>st</sup> December 2020.

- The CBC issued a recommendation to banks through a letter sent on 31<sup>st</sup> March 2020, whereby, borrowers who have applied for the suspension of their loan installments, should be carefully assessed by the bank during the moratorium period and at the end of the moratorium period, the bank, in cooperation with the borrower, should reach a viable restructuring solution, should such a need arise. It is noted that in such restructuring plans, any charges/fees should be kept at reasonable levels and be fully justifiable.
- As per a CBC circular letter addressed to credit acquiring companies (CACs) on 6<sup>th</sup> April 2020, they are requested, in cooperation with their borrowers, to provide viable restructuring solutions with expedite processes and reduced charges, in order to give the opportunity to the cooperative borrowers to recover. In addition, any charges not



fully justifiable should be avoided.

- Adjustment of the Other Systemically Important Institutions (O-SII) buffer: In order to alleviate O-SII credit institutions (Bank of Cyprus, Hellenic Bank, RCB Bank Ltd, Eurobank Cyprus Ltd, Alpha Bank Cyprus Ltd, Astro Bank Ltd) from the adverse financial impact of COVID-19, the CBC (as national macroprudential authority) extended the O-SII phasing-in period by 12 months. The decision was announced on 10<sup>th</sup> April 2020 and is expected to result in the release of additional capital of the order of €90 mln as from 1<sup>st</sup> January 2021.

#### – Measures with regard to payment services and payment systems

- **Announcement of the National Payments Committee (in line with a statement issued by the European Banking Authority on 25<sup>th</sup> March 2020):** On 2<sup>nd</sup> April 2020, the National Payments Committee, which is chaired by the CBC and comprises of representatives of payment services users and payment service providers, announced that it supports the active promotion of the use of digital payments, in order to abide, to the extent possible, to the social distancing instructions. The National Payments Committee called upon the payment services users to prefer, and the payment service providers to facilitate digital payments, as well as contactless payments via cards. In addition, payment service providers were requested to offer the necessary facilities and low fees, in order to further promote the use of digital payments.
- **Measures with respect to the functioning of the Central Information Register for Issuers of Dishonoured Cheques (CIR):** On the 24<sup>th</sup> March 2020, the CBC announced various measures, which immediately entered into force until 30<sup>th</sup> April 2020, regarding the functioning of the CIR. Specifically, these entail (i) suspension of the 15 days' time limit for re-presentment of a cheque with insufficient funds before being registered in the CIR, (ii) suspension of the one-month maximum time granted to registered persons to settle all dishonoured cheques from the date they were recorded as dishonoured, in order to be eligible to be deleted from the CIR, (iii) discretionary examination of requests for deletion of persons from the CIR, who are either in compulsory isolation under medical supervision (quarantine) or are absent from work as they fall within the list of vulnerable persons published by the MoH, provided that they submit all necessary certificates.

#### – Government Guarantee Scheme<sup>4</sup>

In addition to the above, the Government has prepared a draft law for a Guarantee Scheme for low interest loans that is still pending before the Parliament. It forms a very significant part of the liquidity measures package and concerns the granting of Government Guarantees of a total amount of up to € 2 bln to financial institutions for the purpose of:

- the granting of new low-interest loans amounting to €1,75 bln to companies and self-employed and independent employees to deal with the financial consequences

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<sup>4</sup> Following a first discussion of the bill in the House of Parliament, as this NRP is being drafted, the government is in the process of amending the bill to take into account comments and suggestions received in order to strengthen its political acceptance and final approval by the House of Parliament.

- of the measures taken to contain the pandemic, and
- the subsidisation of part of the interest rate to individuals, self-employed and businesses amounting to €250 mln.

It is noted that the stimulus package voted by the House of Representatives, of a cost of €369 mln through a supplementary budget, has been recently revised mainly by extending the period for provisions of income support to affected workers (until 12<sup>th</sup> June 2020). Based on the revised package, it is estimated that the measures in total will have an impact on the accounts of the General Government of about -4.4% of GDP.

Measures announced on a European Union level are concrete steps and a token of determination to contribute decisively to the collective response to the crisis and are essential and of paramount importance in the effort exerted by national authorities.

### **1.2.1 Complementary measures by Line Ministries**

#### **(a) Measures through European Structural and Investment Funds**

Cyprus aims to make best use of the recent amendments provided through the Coronavirus Response Investment Initiative (CRII & CRII + plus) in order to build quickly the necessary capacity required for efficiently tackling every new coronavirus case. In this respect, medical equipment and necessary tools will be purchased, additional medical staff will be recruited and the ambulance centre as well as the Institute of Genetics and Neurology will be upgraded.

The main challenge for Cohesion Policy though, is expected to be geared towards the preservation of the critical economic activity. Towards that aim, income subsidies are planned to be provided to those enterprises that had to suspend their activities due to the necessary social distancing measures and to those enterprises that continue operation but suffer a substantial turnover reduction. The income subsidies will be contributing to the wage cost for those companies still in operation, as well as for those companies that have suspended operations, in the form of unemployment benefits.

At the moment the European Structural and Investment Funds Authorities are examining all available options in order:

- To gear European Structural Investment Fund resources into COVID-19 measures, and
- Control the impact of the crisis on the current running programmes.

#### **(b) Digital Solutions to address COVID-19**

The newly established Deputy Ministry of Research, Innovation and Digital Policy (DMRID), with horizontal responsibilities in these areas, is focused on accelerating the program of digital transformation of the country, boosting economic growth and social prosperity and enhancing Cyprus' competitiveness at European and international level. In view of the restrictive measures introduced by the Government to tackle COVID-19, DMRID implemented the following digital solutions to best manage this critical situation:

- **Digital Tools to support the collection and management of data regarding Covid-19**

- **COVID-19 Platform**, developed by the Center of Excellence KIOS, is a comprehensive system for the registration and management of data related to the suspected and confirmed Covid-19 cases. The platform represents a single point of entry for all data collected by the dedicated call center, the personal doctors and the clinics. It also provides a Dashboard with real time data, statistics, analysis and visual instruments available to the MoH and to the public.
- **COVTRACKER** developed by the Center of Excellence Rise aims to facilitate the tracking of the movements of suspected or confirmed coronavirus cases, through the use of geographic location data. Citizens have the option and ability to self-record their movements, for a period of 14 days, through an application that they will install by themselves on their mobile devices.
- **WEBGIS COVID-19** Cyprus Dashboard managed by the Center of Excellence ERATOSTHENIS illustrates the spread of the virus in national and global level and aims to support the MoH, municipalities and public authorities by providing GIS Tools for Risk of Transmissibility, Social Vulnerability, Risk of Virus Exposure, Efficiency of Health Care Infrastructure, Implementation of models for forecasting and risk assessment in the field of Public Health (under preparation).

- **Movement of citizens by way of exception management system**

- **Text Messaging Service:** Following the measures limiting the movement of citizens, a text messaging (SMS) service has been put in place to obtain approval for movement by way of exception. The SMS can be sent from a mobile phone to the number **8998**, without any charges. Once they send the message, citizens have the right to move for a reasonable amount of time depending on the purpose of movement.
- **Interactive Voice Response-IVR/Call Center:** In order to facilitate the movement of citizens, by way of exception, who cannot use the 8998 text messaging (SMS) service, a call Center service has been set up, which citizens are advised to use only if they are subscribers of foreign telecommunications providers or face any kind of problem while trying to attain approval through the SMS service. Citizens using this system for movement by way of exception, receive a relevant reply through text message (SMS) on their mobile phones.
- **Development of a digital system** for the employee confirmation of movement (Type A) (under preparation).
- **Central Database** for managing the different channels for movement of citizens by way of exception (SMS, Call Center, Mobile Application) (under preparation).
- **Digital Platform** for the collection and management of movement for construction sites purposes.

- **Public Digital Services**

- **Digital services and electronic tools** for the submission of applications by citizens, workers and SMEs regarding the support measures and grants, announced by

the Government related to Covid-19, introduced by the Ministry of Labor, Welfare and Social Insurance (MLWSI).

- **Identification via e-Banking for public services.** The e-Banking credentials can be used by the citizens to access the government systems and transact with the government.
- **Support tools for remote work of civil servants**

**Tele-working:** Support for remote working for civil servants was provided through the utilization of various tele-working tools including remote access to email accounts, access to the office automation system for document management and support tools for teleconferencing.

- **Education**

**Distance Learning:** The Ministry of Education, Culture, Sport and Youth (MoECSY) in collaboration with the DMRID, implemented a distance learning program for high schools and plans to expand it to all levels of education.

- **Citizen Information/Service**

- **DigitalSolidarityCY platform:** An initiative for the access of citizens to digital tools and services facilitating remote work, education and entertainment, offered free or at lower costs from institutions, individuals and companies, for as long as the measures for the coronavirus crisis last.
- **HackTheCrisisCyprus - a Digital Hackathon:** A virtual Digital Hackathon was organized, supported by local organizations and businesses which joined forces to create innovative solutions for the local community, in this time of crisis. As a result, 18 different projects (prototypes) are being developed, aiming to address the crisis and help people not only during this period, but also in the long term.
- **Call Service Center for COVID-19:** Development of a Call service with a single number for Covid-19 which will manage and direct the questions/requests to the designated/appropriate service/agent/person.

(c) **Research & Innovation**

DMRID which has horizontal responsibilities in the area of R & I, promotes the following measures to tackle the situation reviled by COVID-19:

- **Funding opportunities for researchers and innovators**

- **Announcement of national R&I funding opportunities to fight COVID-19 in the context of ongoing Calls (RESTART 2016-2020 PROGRAMME):** The aim is to mobilise nationally-funded research for innovative and rapid approaches for responding to COVID-19 and deliver quick results relevant to society. “Special COVID-19 Calls” were announced in the framework of the SEED, INNOVATE and Proof of Concept Programmes.

Moreover, the Research and Innovation Foundation (RIF) provides the opportunity to Coordinators of ongoing projects under all Programmes to modify the original project aims and activities in order to tackle COVID-19 related issues, provided that these changes are scientifically justified and broadly relevant to the project's original aims.

- **Announcement of additional national R&I funding opportunities (RESTART 2016- 2020 PROGRAMME):** The aim is to keep research organisations and enterprises active and contributing to the recovery of the economy. RIF has overhauled its Programme planning and its budgets to ensure frontloaded opening of a number of Calls for Proposals with a total budget €13.81 mln.
- **Establishment of a one-stop-shop for COVID-19 R&I actions:** The aim is to provide an overview of all ongoing R&I funding initiatives on COVID-19, both EU and national calls, information on national research activities relevant to addressing COVID-19 and information about data shared in 'real time' in COVID-dedicated results platforms.
- **Launch of Expression of Interest to facilitate public procurement of innovative solutions to address COVID-19:** The aim is to coordinate national efforts within the R&I fields, seek and develop synergies within the national R&I communities at the local level, regional, european and global perspectives, identify priority R&I work streams for coordinated action between the Government and members of the national ecosystem, that could lead to developing innovative and rapid approaches for responding to COVID-19.
- **Public procurement of innovative solutions to address COVID-19 post-crisis and future preparedness:** The aim is to aid faster modernization of public services and drive innovation from the demand side for COVID-19 post-crisis solutions and incentivise industry to scale up the production to bring solutions to the market.

#### (d) Ministry of Health

- Establishment of the Action Group by health professionals for the systematic surveillance of the development of the epidemic and the taking of preventive measures.
- Implementation of control measures at the entrance gates of the Republic by health professionals.
- Introducing extensive awareness raising campaigns for public, travelers and health professionals.
- The Minister of Health, has issued Ministerial Orders which cover various areas of the economy-society, such as the prohibition of meetings and gatherings in public and in houses as well as mass events, the setting of the circumstances/conditions for entering the country for specific population categories and the restrictions of passenger flights for certain period, the setting up of rules for repatriation passengers or any other passengers who are allowed to enter Cyprus who are put on quarantine for 14 days into dedicated places/hotels, the suspension of schools operation, the suspension of work of businesses except from basic services, the operation of public services with safety staff and the termination of basic public services whose

operation shall continue with all staff, the ban of unnecessary movement of citizens, etc.

#### **(e) Ministry of Education, Culture, Sports and Youth**

The Ministry has undertaken the following measures:

- Closure of all public and private schools, universities and colleges. The majority of the higher education institutions continue to provide their educational programmes through distance learning models.
- Measures to provide distance education for kindergarten, elementary, secondary and vocational school students.
- Learning materials (teacher and student) are uploaded in Ministry's portal and also at schools websites.
- Online lessons, are provided to all secondary, vocational students and upper primary school students.
- Teacher training on using distance learning tools is ongoing.
- Following a large survey on the availability of IT equipment both at schools and student homes, the Ministry in collaboration with social partners provides students with the necessary equipment (e.g. tablets) as to participate in the distance education, while other measures (e.g. higher internet speeds free of charge) are also planned.
- In collaboration with state and private TV broadcast services, a number of educational films and other TV programmes are provided for younger students (kindergarten and lower secondary school).

#### **(f) Ministry of Justice and Public Order**

Measures taken by the Ministry of Justice and Public Order (MJPO) include among others the following:

- Enhancement of the enforcement of the measures issued by the Minister of Health by virtue of the Quarantine Law, violation of which constitutes an offence carrying a sentence of imprisonment and/or a fine, by an amendment of the Compounding of Offences Law so as to render such offences also as compoundable, carrying an administrative fine in case of violation (upon payment of such fine, a criminal case is not filed to Court).
- Conducting of increased checks on movement of people for the control on the implementation of the relevant Orders, in cooperation with the National Guard and other Departments, including checking vehicle and pedestrian movements, the operation of establishments, as well as of the locations in which people are kept in quarantine.
- Amendment of the relevant Law for eviction, so as the proceedings for eviction and the execution of eviction orders for the non- payment of the rent will be suspended until the 31st, May 2020.

#### **(g) Supreme Court of Cyprus**

- The Supreme Court of Cyprus has announced the suspension of all cases between 16.3.2020 and 30.4.2020 with the following exceptions in the case of civil cases: applications for interim orders in exceptionally urgent cases, appeals on

auctions procedures for immovable property, applications for Habeas Corpus, procedures for extradition of fugitives or wanted persons, prerogative orders of urgent nature, urgent asylum cases, urgent appeals. In the case of criminal cases the exceptions related to where the accused is detained, where the detention of a suspect is sought including applications for remand, where the offence committed involves the violation of the Quarantine Law (Cap 260) and Orders issued by virtue of that Law, other urgent cases and appeals where the accused is in custody.

- The Registries are allowed to file actions, recourses, general applications and other procedures which are accompanied by interim order applications of exceptionally urgent nature, appeals on auctions procedures for immovable property, appeals and prerogative orders of urgent nature, applications for extradition of fugitives or wanted persons, criminal cases where the detention of a suspect is sought, criminal cases where the offence committed involves the violation of the Quarantine Law (Cap 260) and Orders issued by virtue of that Law, criminal cases of urgent nature where is specifically requested by the Attorney General.
- Regarding the suspension of legal deadlines, the Courts have further announced that cases which have a deadline or limitation clause by virtue of the Constitution or any other Law can be filed at the Courts' Registries. This announcement also suspended until 30.4.2020 all procedural deadlines foreseen in the Civil Procedure Rules and other deadlines prescribed in judicial judgments and orders.

#### **(h) Shipping Deputy Ministry**

The Shipping Deputy Ministry (SDM) has put in place special arrangements for the provision of its services, urgent provisional measures for the operation of Cyprus ships and measures to support shipping companies and owners of Cyprus ships. These include the following:

- All requests, queries, applications and documents related to the functions of the SDM should be submitted electronically.
- Urgent provisional measures were adopted for the operation of Cyprus ships during the COVID-19 outbreak with regard to: Extension of Seafarers' certification, statutory surveys for internationally trading vessels, authorisation for an extension of the certificates and documents related to the International Safety Management code and International Ship and Port Facility Security code verifications, guidance for recognised organisations and compulsory insurance.
- The date of payment of the Cyprus registry maintenance annual fee and the tonnage tax of Cyprus ships for the tax year 2020 was extended.

#### **(i) Ministry of Agriculture, Rural Development and Environment**

In view of the negative impact of the crises on the fisheries and aquaculture sector, the Ministry activated measures under the Operational Programme "Thalassa" 2014-2020, which is co-financed by the European Maritime and Fisheries Fund:

- A monthly compensation to vessel owners for the temporary cessation of fishing activities of the vessel has been activated.
- A grant scheme to provide compensation to farmers for temporary suspension or reduction of their production will be put in place.
- Procedures for the launch of two investment schemes in the aquaculture sector and in

the processing of fishery and aquaculture products have been accelerated.

**(j) Public Procurement**

The Treasury of the Republic of Cyprus has initiated a series of measures which include the following:

- At the point of signing of the contract, contractors are accepted not to submit the requested certificates (if difficulties exist on obtaining them), but a declaration that the certificates will be provided to the contracting authority in a later stage.
- the contracting authority has the option to return back to the tenderers the participation guarantees for the procedures that are not anticipated to be concluded within a month.
- the withdrawal of tender during evaluation by the tenderer documenting that his action was due to the current circumstances of COVID-19, could not result in the liquidation of its participation guarantee.
- the termination of a contract by the tender who is unable to execute/perform the subject matter due to the current circumstances of COVID-19, could not result either in the liquidation of its performance guarantee or the blacklisting of the economic operator.
- Any extension to the deadlines for the completion of the subject matter and the conclusion of the contract, due to COVID-19 and provided that no financial change is made, could be authorised directly by the contracting authority and informing the appropriate boards/committees in a later stage (instead of approving such changes upfront).



## 2. MACROECONOMIC CONTEXT AND SCENARIO

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Growth has been solid in recent years, with an average annual growth of 4.4% during the period of 2015 - 2019. During the past year, the economy continued to grow, albeit at a decelerated pace, with real GDP growth for 2019 estimated at 3.2%, compared to 4.1% in 2018.

Consumption and exports were the main drivers of growth during 2019. Consumption grew by 4.6%, driven by private consumption, which grew in real terms by 3.0% and also supported by government consumption which increased by 11.3%. Gross fixed capital formation recorded a marginal increase of 0.1%. Imports, in real terms, grew at a rate of 1.5% mirroring the trend of domestic demand, while exports, in real terms, also grew at a rate of 2.0%.

From a sectoral perspective, growth in construction and wholesale and retail trade was strong, along with growth in the services sectors and most notably in professional, scientific and technical activities, information and communication activities, and administrative and support services. Accommodation and food services activities sector continued growing but at a reduced pace than in the recent past, whereas growth in real estate activities was marginal and negative growth was recorded in the financial and insurance activities as a result of the continued consolidation process.

Tourist arrivals during the period January-December 2019 amounted to around 4.0 mln, compared to 3.9 mln in 2018, recording an increase of 1%, stabilizing after previous record increases in 2016 - 2018, amid a more challenging environment, with increased competition from neighbouring countries (Turkey and Egypt) and the bankruptcies of Thomas Cook in September 2019 and the German low cost air carrier Germania in February 2019. Revenues from tourism amounted to €2.7 bln, recording a 1% decrease from the level of 2018. The drop in revenues reflects the more difficult environment in the sector that led to the offer of more competitive packages in the accommodation sector in an attempt to maintain arrivals close to the levels of the year before.

Due to the outbreak of COVID-19 pandemic and the disturbance it has caused to the socioeconomic structures all over the world in order to combat the disease, the economic outlook for 2020 is surrounded by extreme uncertainty and the final outcome will depend on the depth and duration of the health crisis. The previous crises that Cyprus faced in 2008 - 2009 and 2012 - 2013, when it eventually entered into a macroeconomic adjustment programme in March 2013, cannot be used as an analogy as they were domestic crises stemming from imbalances mainly in the financial sector. This time around, the health crisis is expected to affect the whole spectrum of the economy - including a significant impact on neuralgic sectors due to the pandemic nature of the crisis - as the measures needed to contain the spread of the pandemic, result in a big demand shock, on top of a production shock/supply chain disruption that will also be inevitable. Furthermore, since the same crisis is severely affecting Europe and the rest of the world, exports will be negatively affected, especially concerning the tourism sector.

Despite the uncertainties at hand, the baseline scenario foresees a real GDP contraction of 7%. This is based on a lockdown of about two months (until the end April 2020) with a gradual relaxation starting from May, a 3-month transition period from May until July and recovery in the last five months of the year. As a consequence:

- Private consumption falls by 7.2% which corresponds to a significant reduction mainly in categories most affected by the lockdown, i.e. for sectors that have completely suspended their operations following the Decrees issued by the MoH, taking into account that much of services-sector related consumption will not be recovered after the lockdown ends and also taking into account that some sub sectors may actually exhibit increased activity (e.g. supermarkets and pharmacies).
- Investment (Gross Fixed Capital Formation) contracts by 5.3%, due to one up to two-month equivalent value decrease in its subcomponents, although the final outcome will depend on which categories will be affected more and mainly concerning the residential sector.
- Exports decrease by 26.5%, due to an around 70% decrease in travel and transport categories and assuming that tourism will rebound during the last quarter.
- Imports contract by 21.3% in line with the decrease in consumption and investment (since a significant proportion of consumption and gross fixed capital formation is comprised of imports) and also due to the lower oil prices expected for 2020 (since Cyprus is a net importer of oil).

Although the Government has taken all measures deemed necessary to minimize job losses with labour related schemes, a negative impact (even marginal) in the labour market will be impossible to avoid. The baseline scenario assumes a decrease in employment in 2020Q2, due to the fact that the (current) duration of the restrictive circulation measures is for two months (March-April), during which most companies will temporarily suspend their operations. As companies gradually reopen, along with the gradual lift of restrictive measures, employment levels will be restored close to the 2019 levels by 2020Q4.

Also, the fact that the Government of Cyprus has taken early and targeted measures to contain the spread of the virus among the population, along with measures to safeguard the national health system and mitigate the economic effects of the crisis by protecting businesses, jobs and incomes, might result in a lower decrease in consumption than assumed under the baseline scenario. Under this assumption and also assuming that that investment and exports suffer a less severe downturn than in the baseline scenario, a fall in real GDP is projected of around 5%. Under this scenario, the decrease in the travel and transport categories of exports is around 65%, compared to a 70% decrease in the baseline scenario.

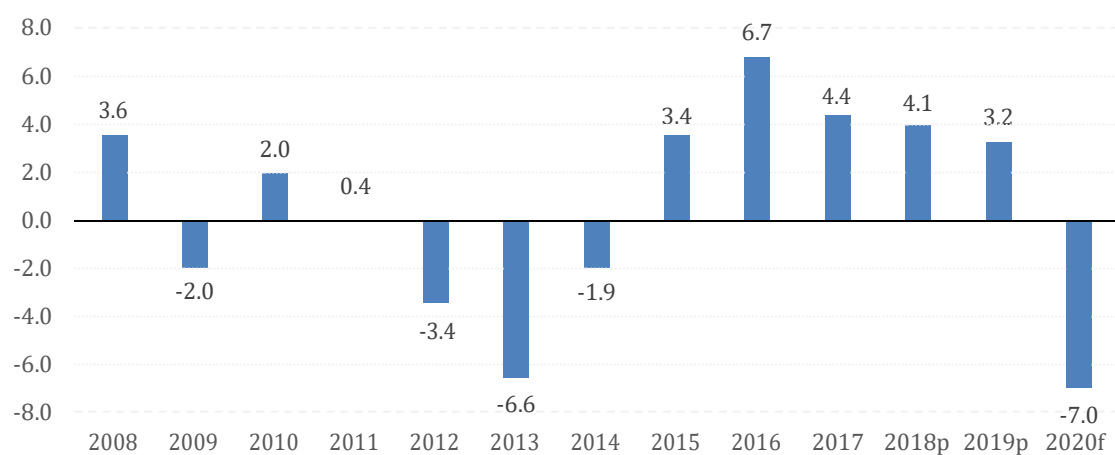
Regarding prices, during the first two months of 2020, inflation averaged at 1.3%, where the most notable positive effects on the change of the CPI was recorded in petroleum products prices (positive contribution of 0.7 percentage points) and local agricultural goods prices (positive contribution of 0.2 percentage points), while imported goods prices had the largest negative effect (negative contribution of 0.5 percentage points).

Inflation is expected to follow a declining trend during the period March-December 2020 and average at -0.3% in 2020, stemming from the recent decreases in international energy prices in conjunction with expectations for further price drops in the course of the year, of almost -40% in 2020 compared to the year before.

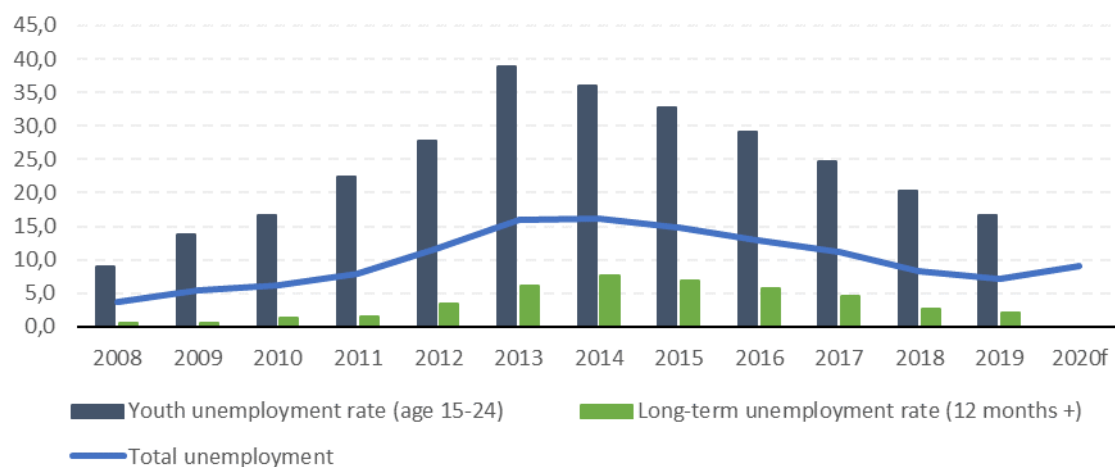
**Table: Macroeconomic indicators**

Indicator	2016	2017	2018	2019	2020f
Real GDP (%)	6,7	4,4	4,1	3,2	-7,0
Inflation (HICP)	-1.2	0.7	0.8	0.5	-0.3
Unemployment Rate (% of labour force)	12.9	11.1	8.4	7.1	9.0

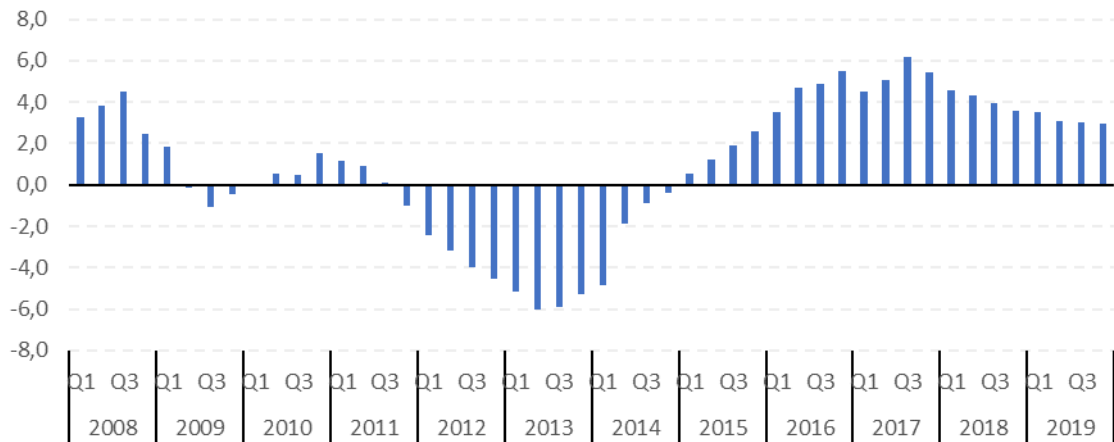
**Graph: Real GDP growth, 2008-2020 (%)**



**Graph: Labour market**



Employment growth



As at this moment, there are no official results on an effective treatment for COVID-19 and a vaccine to contain it is still months away, a more prolonged period of lockdown, even if less strict than the one currently in place, cannot be excluded. Furthermore, as experts indicate, a second wave of the virus could not be excluded. In that case, the negative effects on the economy would be prolonged because of possible longer periods of lockdown and travel bans. The contraction of the economy under this more adverse turn of events would be more severe. However, these estimates should be taken with the appropriate degree of caution and for expositional purposes only because at this stage it is impossible to quantify with certainty the magnitude of the impact and disruption on the economy.

### **3. KEY POLICY RESPONSE TO MAJOR ECONOMIC CHALLENGES**

#### **PART A - REFORMS AND OTHER MEASURES RELATED TO COUNTRY SPECIFIC RECOMMENDATIONS**

##### **3.1. Public administration efficiency, SOEs governance, local government reforms and aggressive tax planning**

###### **Country Specific Recommendation - CSR 1**

**Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of state - owned entities and local governments. Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments by multinationals.**

##### **3.1.1. Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration.**

Modernising the public administration and improving its efficiency has been an important priority of the government since the beginning of its term. As a result, legislative proposals for the reform of the public service were submitted to the House of Representatives (HoR) initially in 2016. These included horizontal reforms relating to civil servants mobility, the introduction of a new appraisal system for civil servants and new procedures and criteria for the evaluation and selection of candidates for promotions. The proposals were rejected by the Parliament, with the exception of the Bill regarding mobility between the Public Service and State Owned Organisations (SOEs), as well as among SOEs, which was approved in May 2017.

The MoF and its Public Administration and Personnel Department (PAPD) reviewed the proposed Bills and, after taking into consideration the opinions expressed by the parliamentary parties as well as by the various stakeholders that participated in an extensive consultation process, introduced several amendments and retabled the proposals. The new legislative proposals were submitted to the HoR in October 2019. Currently, the legislative proposals are being debated in the Finance and Budget Parliamentary Committee.

##### **3.1.2. Adopt key legislative reforms to improve the governance of state - owned entities**

As regards the governance of SOEs, draft legislation pending before the HoR as of April 2015 was withdrawn in 2019, since discussions that took place at the relevant Parliamentary Committee were never finalized due to various concerns raised by the Members of Parliament. However, most of the provisions of the draft law were incorporated in alternative measures adopted by the government in this area.

More specifically, in order to improve their governance and promote and maximize the services that are being provided by State Agencies and SOEs, the Council of Ministers<sup>5</sup>

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<sup>5</sup> Note that the executive power of the Council of Ministers is granted through Article 54 of the Constitution and involves coordination topics and oversight of the functioning of all public services

(CoM) decided (dec.no.87.869, dat.25/07/2019) the following:

- to approve the application of the principles of the Code of Public Governance<sup>6</sup> by the SOEs as set out in the Fiscal Responsibility and Financial Framework Laws of 2014 to 2017, depending on their legal form and activities.
- To authorize the responsible Ministers to request from SOEs, which are under their supervision, to prepare the profile (academic, professional and experience qualifications) that the President and the Members of the Board of Directors should have.
- To authorize responsible Ministers to request from SOEs, under their supervision, to submit an implementation statement for the Code of Public Governance on a yearly basis.

Following the CoM decision, a relevant certificate and questionnaire has been prepared by the MoF which will be circulated to SOEs, as part of a circular relating to the preparation and submission of SOEs' budget. Consequently, it will be requested to be submitted together with their budget proposal to the competent Minister.

It is noted that, the Fiscal Responsibility and Budget System Law (FRBSL) N. 20(I)/2014 provides the legal underpinning for the financial oversight of SOEs. This includes among others, the approval of borrowing and of annual budgets, monthly budget execution reports and any other matters which may be determined by the Minister of Finance. To increase transparency and improve planning, MoF informed all SOEs (via circular and seminar) that the 2020 budget must be prepared based on the three-year medium term budgetary framework.

Furthermore, the FRBSL states that the SOEs are required to submit for approval to the Minister of Finance and competent Minister, a strategic plan including key indicators related to the objectives defined. Strengthening SOEs planning and reporting framework will be achieved as Public Financial Management (PFM) reform progresses to include all organizations into the strategic planning process and the conversion from the traditional budget to the Activities Based Budget (ABB), over the coming years.

In addition, the CoM, with its Decision no. 86.013 dated 24.10.2018, has established implementation rules for the sound management of Government grants to entities in the wider public sector including SOEs and other entities where the Government exercises control or significant influence. The new rules, which are based on the public financial management and control legislation (Law 38(I)/2014), make the beneficiaries of Government grants more accountable for the management of the grants provided, as well as improve the governance in these entities, to the benefit of the public interest.

Circulars and guidance have complemented these rules, which mainly cover annual Government grants of a general nature of more than €0.5 mln. These obligations cover the areas of sound financial management, legal compliance, public procurement, Human Resource Management (HRM), ethics etc. The above Decision of the CoM also covers the monitoring and management of Government grants between €20,000 and €500,000 per annum, as well as Government grants financing specific projects/activities.

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<sup>6</sup> The Code was drafted and issued at the end of 2018, as a result of an initiative by the Institute of Directors (Cyprus Branch) based on best practices, including the OECD guidelines, which was supported by the Cypriot government

### **3.1.3. Adopt key legislative reforms to improve efficiency in local government**

The Local Government Reform, is comprised of three (3) pillars:

#### **(a) Reform of the Municipalities**

A draft legislation concerning the Local Government Reform which was submitted to the HoR in July 2015 has not been forwarded for voting into legislation. In order to overcome the obstacles faced during the discussions in the competent Parliamentary Committee, the Government appointed an external expert in November 2018, to prepare a study/policy paper. The paper included, amongst others, an assessment of the prevailing situation, proposals on indicative municipalities to be unified, introduction of a representation/election system for the Municipal Councils of the new municipalities, taking into account the current population proportions, proposals for the unbundling and transfer of responsibilities from the central to the local government (LG), taking into account international practices and EU directions etc. The paper also suggested ways for municipalities to gradually become autonomous, financially independent but also viable, taking into account the legal framework as well as the state subsidies currently in place. Internal control, transparency, staff management and other organizational issues were also assessed by the expert, as well as legal reforms needed for the proposed unifications and the other expert's suggestions.

Based on the recommendations of the expert's the study/policy paper, delivered in April 2019, a revised version of the municipal law was drafted and handed to the Union of Cyprus Municipalities (UCM).

The reform seeks to empower Cypriot municipal authorities by providing for:

- (i) The transfer of new competences from central government and its decentralized units to the municipalities, especially in the areas of urban planning, issuing of permits, social policy, local infrastructure maintenance, schools' maintenance, beach management and the provision of local services to the citizens.
- (ii) The reform of local finances in order to foster fiscal decentralization and secure adequate own financial resources of municipal authorities.
- (iii) A novel form of legal supervision of local authorities that secures their administrative autonomy
- (iv) New rules of transparency and democratic accountability.
- (v) The empowerment of UCM with a novel legal status based on the proposal of Cypriot Municipalities.

Following a period of extensive discussions between the Ministry of Interior (MoI) and the UCM, a consensus was achieved on the basis of a mutual understanding that dealing with the problem of fragmentation in a large number of small municipalities and communities, is a necessary step in order to achieve the fundamental objectives of the reform i.e., to strengthen decentralization and local democracy in Cyprus and to set up new entities that will have the critical mass to carry out the new competencies.

Following the recommendations of the Council of Europe tool kit on municipal amalgamations, the MoI formulated a comprehensive study based on transparent scientific criteria that assesses different amalgamation scenarios, such as the population, geographic, social, economic, developmental and cultural criteria. Based on this analysis and with respect

to the provisions of Art. 5 of the Charter<sup>7</sup>, the MoI requested the opinion of the UCM. The majority of the 50 communities that have been selected for amalgamation, discussed this within their Councils and decided to participate in the reform and amalgamate with neighbouring municipalities. As a result, the current scheme provides for the amalgamation of 30 Municipalities and 50 Communities, into 17 new municipal authorities.

Despite legal provisions in Cypriot Legislation, that provide for amalgamation of municipalities and communities under their own initiative following a local referendum, the UCM almost unanimously decided in its recent General Assembly, to proceed to the reform without referendums.

Furthermore, the MoI requested a legal opinion from the legal service of the Council of Europe, regarding the compliance of its actions with Art 5 of the Charter and the Council has confirmed relevant compliance with its letter dated 7.2.2020.

### **(b) Reform of the Communities**

According to a recent study carried out by independent experts, the MoI in collaboration with the UCM drafted a legislation in order to establish 32 local clusters for the 350 communities. Local clusters will be responsible for: (a) management of garbage collection, (b) promotion of actions to design and bring to maturity complex projects, (c) provision of accounting services, with a single software system, (d) secretarial services, (e) technical support by qualified personnel, (f) provision of health services, (g) provision of traffic control services, (h) implementation of the provisions of the Dogs Law, and (i) out-of-court settlement of offenses by the imposition of a fine.

The draft legislations concerning (i) and (ii) above, have been approved by the Attorney General, following legal vetting, as well as by the CoM on 10.3.2020 and have been submitted to the HoR for approval on 12.3.2020.

### **(c) Reform concerning the Water Boards, Sewerage Boards and Solid Waste Management**

The draft legislation concerning the establishment of the 5 district clusters is pending before the HoR since 2015. District clusters will be responsible for activities related to: (a) water boards, (b) sewage boards, and (c) solid waste management. Several amendments were incorporated in the draft bill during discussions which are now concluded in the competent parliamentary committee. Taking also into account the above mentioned developments in the other two areas of LG reform, a major change introduced concerns the issuing of the planning and building permits which will be transferred to the local authorities (LA), instead of the district clusters as per previously proposed legislation.

#### **3.1.4 Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments by multinationals**

Cyprus generally supports the European Commission's initiatives to fight Aggressive Tax

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<sup>7</sup> The European Charter of Local Self-Government of the Council of Europe.



Planning (ATP), including by adopting Anti-Tax Avoidance Directive II (ATAD II) and Directive on Administrative Cooperation Vol.6 (DAC 6). Cyprus reiterates its commitment and willingness to continue cooperation in all appropriate fora for taxation, in full respect of the respective competencies under the Treaties and in light of the relevant voting procedures that are applicable for such matters.

In addition to the European and international measures, Cyprus unilaterally announced two additional measures to address aggressive tax planning, namely by the:

- Introduction of withholding tax on dividend, interest, and royalty payments to countries in Annex I of the EU list of non-cooperative jurisdictions on tax matters.
- Introduction of corporate tax residency test based on incorporation, in addition to the existing 'management and control'.

For these two measures, draft bills have been sent to the Attorney General's office for legal vetting. It is also noted that the unilateral measures have been agreed with relevant stakeholders (Institute of Certified Public Accountants of Cyprus - ICPAC).

In relation to the actions taken by the Government to deal with the concerns that the 'Citizenship' and 'Residence by investment' schemes may circumvent the Common Reporting Standard initiative, the Cyprus Tax Authorities, in collaboration with the Immigration Authorities, are in the process of developing the appropriate infrastructure to enable as soon as possible the spontaneous exchange of information (SEOI) mechanism about individuals that have obtained residence rights through the "Citizenship by Investment" (CBI) and "Residence by Investment" (RBI) (RBI/CBI) programme with all original jurisdictions of tax residence. More details on the new due diligence process implemented under the Cyprus Investment Programme are provided in sub-section 3.1.6 below.

### **3.1.5 Other Reforms to support efficiency improvement in the Public Administration**

#### **(a) Institutional reforms**

With the view to setting up a more efficient and growth inducing governance system, as also provided under the 2017 Action Plan for Growth, a series of institutional measures have been introduced during the last couple of years. New competent Authorities, in the form of Deputy Ministries, have been established relating to key economic sectors, namely the sectors of shipping (March 2018), tourism (January 2019) and the areas of research, innovation and digital policy (March 2020) (see also section 3.4.1 for developments and investment focus in these areas).

Furthermore, the Economy and Competitiveness Council <sup>8</sup>that was set up in June 2018, with the aim to monitor developments in terms of productivity and competitiveness and to contribute, through policy recommendations, to the steady and sustainable growth of the Cyprus economy accelerated work in 2019, resulting to the publication of the 1<sup>st</sup> Competitiveness Report for Cyprus in July 2019 and the initiation of the project for the development of new Long-Term Economic Strategy for Cyprus at the beginning of 2020. Following the publication of the Competitiveness Report, the CoM issued a decision in March 2020 asking all competent authorities to report back on measures already taken or deemed appropriate to be incorporated in their future priorities and strategic planning taking into

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<sup>8</sup> [http://www.ecompet.cy/ecompet/ecompet.nsf/home\\_en/home\\_en?opendocument](http://www.ecompet.cy/ecompet/ecompet.nsf/home_en/home_en?opendocument)

account the findings and recommendations of the Report.

Similarly, in the area of R&I, both the National Board for Research and Innovation (NBRI) and the Chief Scientist, firstly appointed in October 2018, continue to support the government's and more specifically the new Deputy Ministry's work in this vital area of the Cyprus economy.

### **(b) Improving the regulatory framework**

The third, and final, progress report for the Action Plan for Better Regulation that covered the period from 2015 to 2018 was submitted to the CoM in late 2019. According to the key findings of the report, significant steps have been taken towards improving the regulatory framework in Cyprus, during the last years, by simplifying a number of procedures and laws, establishing procedures for better legislation, cultivating the right culture and better understanding the whole law making process. It is acknowledged though, that there is still room for improvement in order to further reduce the bureaucracy and administrative burden for both citizens and businesses. As regards the implementation of individual and targeted action plans for simplification and modernization within the various government organizations and departments, the DRCOR, the Tax Department and the Department of Environment, were amongst those which achieved the most significant progress. The formulation of a new Impact Assessment framework in the legislative process, including the introduction and implementation of an SME Test for the assessment, analysis and mitigation as regards new legislative proposals with impact on SMEs, were also amongst key achievements of the Action Plan.

A new Action Plan for Better Regulation was formulated, covering the period 2019-2022, which was approved by the CoM on 6th November 2019. The New Action Plan includes policy areas of high priority for the reduction of administrative burden and measures to improve public sector efficiency, under three priority axes:

1. Simplification of procedures and legislation and the reduction of administrative burden.
2. Better law-making and impact assessment of new legislation.
3. Embedding culture and enhancing relevant skills in relation to the Action Plan on Better Regulation.

The new Action Plan includes, among others, actions for the further modernization of the DRCOR, the Tax Department and the Department of Environment, as well as simplification actions in department dealing with other key areas affecting the economic activity and competitiveness (e.g. social insurance, planning and housing, civil registry, migration and asylum, insolvency, tourism, industry and technology). Furthermore, it includes measures aiming to further improve the effectiveness of impact assessment procedures and stakeholder communication: e.g. development of a central government website for e-consultation. Moreover, the intention is to continue the training of government officials to improve/update their knowledge and skills on better regulation processes.

### **(c) Moving to the digital era**

The Cypriot government has decided to follow a new disruptive approach for accelerating the digital transformation and from the 1st March 2020 a new Deputy Ministry has been established. The mandate of the DMRID is, inter alia, to lead Cyprus into the digital era, through the promotion of scientific excellence, the support and facilitation of innovative

entrepreneurship, and the implementation of a digital transformation programme.

The two government departments that were transferred to the Deputy Ministry are the Department of Electronic Communications (DEC), which was previously under the MTCW and the Department of Information Technology Services (DITS), which was previously under the MoF.

Digital transformation is an ongoing process for the Cyprus public sector aiming to keep up in an increasingly dynamic competitive environment and provide improved services both within the Government and to the public and businesses. Based on the Cyprus Government priorities and targets set, the CoM and the eGovernment Board approves IT projects aiming to further promote digitization and eGovernment in the Public Sector.

Some of the major projects which have been approved by the eGovernment Board are the following:

- **Expansion of the Government Data Warehouse (GDW)** in order to support its continuous rollout and cope with more users and government organizations exploiting the possibilities and benefits of the GDW. GDW enables easy access to accurate, consistent and integrated government data for better and faster decision making and for statistical purposes. It is a single cohesive database with a subject-centric approach, and provides a consolidated view of Civil Service data, optimised for reporting and analysis.
- **Justice:** The tendering process for an e-Justice system has started. Taking into consideration the current status of the project and the delays due to various appeals, the pilot operation of the system is expected to be launched by the end of 2021.
- **Public Finance:** In order to support the Government's efforts towards a better Public Financial Management system an Enterprise Resources Planning System (ERP) will be established to cover core functions of the Treasury of the Republic of Cyprus and of various Directorates of the MoF. ERP will also provide e-Services to citizens and civil servants such as processing of electronic invoices from the suppliers of the government and public financial information available to the public through a specialised reporting tool.

The contract for the ERP was signed in November 2018 and the implementation of the system is expected to be complete within four years. The implementation plan is divided in two phases:

- Phase 1: it includes the full deployment of the functions related to accounting and budgeting and is expected to be completed by 1<sup>st</sup> January 2022.
  - Phase 2: it includes the full deployment of the human resources management function, payroll and pensions, and is expected to be completed by 1<sup>st</sup> November 2022.
- **Infrastructure:** In the area of network infrastructure a contract was signed (July 2019) for the implementation of the Governmental Unified Network (GUN). GUN is considered to be the largest, up to now, digital infrastructure project in Cyprus as it will connect approximately 18,000 public sector employees in about 400 government buildings in a cost efficient and secure manner. This project will upgrade the entire network infrastructure of the government by combining the use of digital technologies

and functional capabilities. The implementation span of the project is estimated to be 18 months. The government targets to unify and enhance its voice and data networks as an additional step forward to put in place strong foundations for delivering innovative and flexible services to government officers and/or citizens and businesses (such as the establishment of a central service phone number for the entire Government). The unified data and voice network shall form the basis for the provision of teleconferencing, videoconferencing and voice over IP telephony services, as well as voice mail, unified messaging and IP desktop/telephony to government officials.

- **Health:** A major focus is also given to initiatives aiming to improve the provision of e-health services. To this end all relevant processes have been put into place to manage the implementation of a National Health Information System and a Laboratory Information Management System (LIMS), so as to cover the needs in every National Hospital and Health Center around the country for the Ministry of Health. The tenders for the National Health Information System have been submitted and are currently being evaluated. The Contract for the LIMS was signed and the implementation of the project started in February 2020.
- **Corruption:** The Police Internal Affairs Service, which operates under the Law on the Establishment and Operation of the Internal Affairs Service of the Police (Act 3 (I) 2018), in an effort to fight corruption launched a new online Complaint service aiming to allow the submission of complains related to Police force.
- **Employment/Labour:** The strategy which was put in place by Cyprus to clamp down on undeclared work is based on two main pillars: legislative support and the introduction of a computerized system to better monitor employers. As far as the second pillar is concerned, the information system for countering undeclared work called ERGANI has been developed. Through this information system, employers are freed from red-tape procedures and by using existing data can contribute to fight against undeclared work. The System is currently in the test phase and is planned to go to production within 2020.
- **Customer Service:** In order to provide better services to the public and specifically to improve the services provided at the Citizen Service Centers, the process of acquiring a Queueing system is under way. The System will automatically manage the priority order, display information on the priority order on screens in Digital Signage, measure citizens' satisfaction for their experience and keep track of statistics for all of its functions.
- **Taxation:** The processes for the provision of a new information system for the Cyprus Tax Department are in progress. The aim of the project is the simplification of processes and procedures and the use of more modern Tax Department methods, in order to increase personnel productivity and improve operational efficiency.
- **Green Government:** One of the most strategic projects for the Government of Cyprus is to consolidate the Government Data Centers in one main data center and a recovery center ensuring efficiency, cost reduction and Green Government. Within this framework a study has been completed that will indicate among others the most cost-effective way of implementation.
- **Business:** The deployment, operation and maintenance of a New Integrated Registry Platform Solution in the Companies and Intellectual and Industrial Property Divisions of

the DRCOR aims at the complete digital transformation, optimization of processes and the provision of fast and high-quality services to customers. The contract for the system is expected to be signed by the end of 2020.

- **Customs:** Cyprus, along with other Member States in EU, promotes the implementation of a new Information System for the Customs Department aiming to ensure the correct application of the Union Customs Code (UCC) Work Plan of the European Union; UCC was enacted in order to modernise and simplify trade into and within the EU and to harmonise the customs procedures across Member States. The project is in progress.
- **Collaboration with new technologies:** eCollaboration Platform facilitates the sharing of information across Governmental Organisations in order to enrich collaborative interaction of employees and to streamline business processes. The platform simplifies the existing working environment and eliminates the boundaries of the traditional communication ways and improves productivity by automating employees' daily operations with the use of new, user-friendly and more efficient applications. eCollaboration is based on a unified infrastructure thus minimizing operational and maintenance costs for the Government of Cyprus. The rollout of eCollaboration is an ongoing process aiming to cover the needs for all civil servants. Further to the above, the expansion/roll-out is a continued process for other strategic eGovernment horizontal interventions which have already been put in place aiming to further support the needs and demands a) of the public sector and b) for citizens/business:
  - The Government Gateway - ARIADNI (<https://cge.cyprus.gov.cy>) provides the foundation for delivery of the vision for a 'Joined-up Government' and constitutes the central portal to all electronic transactions between citizens, businesses, institutions and the Government. ARIADNI provides around 100 public e-services with a full set of information for each Governmental procedure.
  - eOASIS: the electronic management of the official documents of the Public Service
- **Legislation - Digital Society for all:** In an effort to create a digital society equal to all, Cyprus harmonized Cypriot legislation with Directive (EU) 2016/2102 of the European Parliament and of the Council 26 October 2016 on the Accessibility of the Websites and Mobile Applications of Public Sector Bodies. The legislation proposal was submitted to the HoR towards the end of September 2018. The law (N.50(I)/2019) was approved and published on the Official Gazette of the Republic of Cyprus on 5<sup>th</sup> April 2019.

#### (d) Enhanced Citizens' Services

Aiming at improving the citizens' daily communication with the civil service, a unified Contact Centre for the public administration has been operating as of October 2018, delivering services to the public. The contract for the delivery of services was assigned to a private sector operator following an open public procurement competition.

The Contact Centre operates 7 days a week providing information to citizens and businesses, through multiple channels (telephone, e-mail, IVR), on more than 500 government/administrative procedures and informing citizens on the status of their applications, for specific services.

Citizens also have online access to all the information regarding the above services/procedures, via the government gateway portal ARIADNI. Examples of

Government/administrative procedures for which the public may obtain information, either through the Contact Centre, or online via the gateway portal are allowances, grants pensions, benefits, birth certificates, driving licenses, road tax licenses, passports, identity cards and refugee identity cards. Citizens can also submit a complaint, or a request via the Contact Centre for information on the progress of an application they have already submitted to a government department, which must call back the citizen to provide information on the progress of the application or the handling of the complaint.

In the context of upgrading the quality of services offered to citizens, Citizen Service Centres (CSCs/one-stop-shops) have been established in Cyprus, with the aim to provide multiple services from one point of contact. Acting as an alternative channel for dealing with public agencies/organisations, CSCs offer more than 90 different services from a number of Governmental organisations. The network currently comprises of 9 CSCs in total (7 in urban areas and 2 in rural areas), as well as a Unit providing services to citizens in K. Pyrgos Tyllirias (remote rural area) once every fortnight. The aim is to establish 3 more CSCs within the period 2021-2023.

During 2019, the CSCs have provided approximately 1.2 mln services to citizens who have visited them, while it is estimated that CSCs offer on average around 4,780 services on a daily basis.

#### **(e) Developing a new system of evaluation and selection of public investment projects<sup>9</sup>**

In the context of the implementation of the public financial management framework following the enactment of the Fiscal Responsibility and Budget System Law and of the corresponding Regulations, and according to the implementation plan approved by the Minister of Finance, a new process for the evaluation and selection of public investment has been introduced and is fully operational as from 2019 for projects financed by the national budget. It includes the preparation by the line Ministries of Project Concept Notes (PCNs) and feasibility studies for new public investment projects considered for funding under the three-year budget, in accordance with the guidelines of the Minister of Finance and the manual for the pre-selection and appraisal of public investment projects. The PCNs and the feasibility studies are submitted to the Directorate General of European Programmes Coordination and Development (DG EPCD) and the MoF for evaluation. This ex-ante evaluation process will be also implemented for all capital investment projects that will be co-financed by EU Funds and the national budget during the period 2021-2027.

In order to improve decision making by maximizing the benefits for users and investors, while minimizing the burden for taxpayers through the combined advantages of a solid project preparation and evaluation framework, the Cypriot authorities delivered during the period 2016 - 2019 a series of training seminars to civil servants, on the preparation of PCNs and on the preparation of Cost/Benefit Analysis. Also, the Cypriot authorities have received in 2017 and 2018 technical support from the World Bank. This consisted of developing a series of tailor made quantitative and qualitative methodologies and IT tools for an economic and financial analysis of public and public - private partnership (PPP) projects and recommendations on setting up a PPP unit within the Public Works Department of the MTCW.

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<sup>9</sup> The methodological framework includes among others a Cost-Benefit / Cost Effectiveness Analysis and Value for Money analysis based on different filters applied along the project preparation cycle as outlined in the Fiscal Responsibility and Budget Systems Law and the Manual.

## **(f) Strengthening the efficiency and transparency of public procurement**

The strategy for promoting professionalization in public procurement was approved in 2019 by the CoM and, as a result, additional positions for professional procurers have been also approved. Until the full implementation of the strategy, the designated officers in each contracting authority/entity will continue to be in charge of its procurement procedures and provide guidance and support to the staff involved within the entity, with the view to further expand capacity and expertise on public procurement. Targeted trainings, as well as a guide on best practices, model tender documents and other tools for guidance on preparing the tender documents and for general support during public procurement procedures, are available. A helpdesk function is also available, through emails and telephone, for direct and personal guidance on a daily basis.

In addition to the above, there is in place a checking/review procedure of tender documents and the award procedures for EU funded projects, as well as a quality review process of other non EU funded competitions, both above certain pre-defined thresholds. With respect to these procedures, the Treasury of the Republic of Cyprus, which is the competent Authority on public procurement, issues compliance certificates in accordance to the public procurement law, or approves the tender documents respectively.

Through the above mentioned guidance, not only legislative issues are discussed, but also best practices are applied, such as the inclusion of social and green criteria and the use of best price – quality ratio award criterion. On this base, the contacting authorities are encouraged to evaluate quality features as an additional aspect, instead of determining them as minimum technical requirement. This turns the criterion from “price based” to “price-quality based”.

The professionalization strategy, includes professionals being involved not only in the procedures as such, but also in the setting up of appropriate procurement units, where needed, and/or evaluating the overall procedures within such units. The issues in the health sector although it is a very specific and particular sector, will be faced and resolved under this professionalization concept.

In order to promote transparency, contracting authorities/entities are obliged to publish the contract notices and the contract award notices for all contracts (above and below thresholds) through the e-procurement system. The uploading of the tender documents in the system as well as the electronic submission of the tenders is also compulsory, for both above and below threshold procurements. Tender documents and clarification questions and answers during the competition process, as well as prices quoted by tenderers upon electronic opening of the financial part of the tenders, are automatically visible by everybody, including the general public.

Reports of the Evaluation Committees as well as the minutes of the Tender Boards/Evaluation Committees have to be published by the contracting authorities/entities on their website.

A Manual on Bid – Rigging has been issued by the Cyprus Competition Protection Committee with the contribution of the Treasury and explanatory seminars on the Manual were organized.

Finally, the independent offices of Auditor General for the central contracting authorities/entities, the Attorney General and the Accountant General, have the right to be represented in the sessions of the Evaluation Committees/Tender Boards as observers and to express their

views on every matter regarding the public procurement, the tenders' evaluation and the award procedures, which are recorded in the relevant minutes, thus actively participate and check procurement procedures. Furthermore, the legislation in place gives them the right to investigate every procedure they wish, in view of a particular complaint received, or at their own request.

### **3.1.6 Other reforms – improvements to the Cyprus Investment Programme**

Concerning the Cypriot Citizenship by Investment Scheme (Cyprus Investment Programme - CIP) it needs to be noted that a five-tier due diligence process is implemented, which begins prior to the submission of the application and continues after the acquisition of the citizenship.

This five-tier process includes the following:

- (i) Due diligence report by the service provider.
- (ii) Background Check by the Cypriot law enforcement agencies.
- (iii) Commercial Database assessment.
- (iv) Enhanced due diligence checks performed by three specialized due diligence companies that were located through an open international tenders' procedure.
- (v) Ongoing Screening of all successful applicants.

Additionally, it should be noted that in July 2019 the CoM outlined in detail certain categories of high-risk individuals who are not eligible to acquire the Cypriot citizenship via the CIP. These categories include state officials (either elected or appointed) or individuals that have held such an office during the past five years, individuals that face criminal prosecution or are under investigation for criminal offences, individuals that have or had a connection with legal entities that are subjected to restrictive measures etc.

Following the revocation of 26 citizenships, linked to 9 investment projects, which were granted through the CIP up to 2018 and before the introduction of stricter criteria in the scheme, the CoM appointed in November 2019 a three-members ad hoc Committee with the mandate to review all previous successful applications. More specifically, the Committee was mandated to assess whether the terms and conditions of the CIP were correctly implemented during evaluation and naturalization of the above applications, and to submit suggestions for the improvement of the CIP. It goes without saying that if the Committee concludes that criminal or disciplinary offences might have been committed, all the legal procedures are to be followed. The members of this Committee are the chairperson of the Cyprus Securities and Exchange Committee as president, the Assistant General Treasurer of the Republic and a member of the General Attorney's Office.

The above rules introduced in 2019 by the government to improve due diligence and address possible risks related to the scheme were accompanied, as already identified by the European Commission in its 2020 Country Report for Cyprus, by a series of changes aimed at re-directing the investments made under this scheme, in line with the focus of the overall investment policy framework in Cyprus, as this is outlined in Section 3 of the current NRP. Via mandatory contributions introduced under the scheme, it is aimed to further encourage the creation of an eco-system of business innovation and also serve to both environmental and social sustainability by financing social entrepreneurship and affordable housing. The inclusion of investments in the shipping sector and in registered alternative investment funds in the eligible categories of investment under the scheme, on the basis of certain criteria, should also be noted to this end.



### 3.2. Non-performing loans, state-owned asset management company, credit acquiring companies, non-bank financial sector

#### **Country Specific Recommendation - CSR 2**

**Facilitate the reduction of non-performing loans including by setting up an effective governance structure of the State-owned asset management company, taking steps to improve payment discipline and strengthening the supervision of the credit acquiring companies. Strengthen the supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension funds supervisors.**

#### 3.2.1. Facilitate the reduction of non-performing loans including by setting up an effective governance structure of the State-owned asset management company

Non-performing exposures (NPEs) declined to €9.5 bln in November 2019 from €10.4 bln at end December 2018 as a result of debt repayments, settlements for assets, and one NPE sale of €0.4 bln. The decline in NPEs from the peak of €28.9 bln in April 2015 until November 2019 was 68%. As a share of total loans, NPEs fell to 28.6% in November 2019 from 30.5% in December 2018.

The strategy for resolving NPLs is based on three main pillars:

##### **(a) Strengthening the effectiveness of the legal framework related to the management of NPEs - Foreclosure framework**

The first pillar concerns the creation of an enabling legal framework for creditors to pursue resolution and workouts of the stock of non-performing loans (NPLs).

The most important legislations in place concerning the resolution of the NPLs are outlined below.

Foreclosures of real estate property are enabled and regulated in the Immovable Property (Transfer and Mortgage) Law of 2018, amending previous legislation of 2014. The amending provisions of 2018 allowed for the streamlining of the process under a concrete timeline and removal of provisions that were causing delays in implementing the law.

The creditors have been making considerable use of the foreclosure tool. Its effectiveness is shown both by the resolution rate of problematic loans before reaching the auction stage – through cash settlements, restructurings or swaps with real estate assets, and the sales completed through auctions. Moreover, the repossession of the mortgage property by banks, six months after the first auction has facilitated the resolving of NPLs.

It is noteworthy that sales through auctions have been completed mostly for farmland, commercial property and residential property (under construction), but not for primary residences.

Building on the foreclosure framework, the Ministerial Decree regulating the specifications and operating requirements for the e-auctions was issued on 1st November 2019. The system carries out auctions of mortgaged properties on behalf of mortgage lenders, for whose benefit the mortgage was registered. Mortgage lenders may be credit institutions, CACs, other

companies and individuals.

Until the end of February 2020, 66 auctions were conducted for equal number of properties, with 8 auctions resulting in a successful sale. While the initial rate of sales through e-auctions has been rather moderate, there has been positive feedback from mortgage lenders as well as prospective purchasers of credit facilities. Until end February, there were over 14,000 unique viewers of the System and 250+ registered users in the System.

It is noted that creditors may conduct auctions both physically and electronically.

### **Sale of loans**

The Sale of Credit Facilities and Related Matters Law (2015) has been vital in enabling a number of significant transactions to take place, removing NPLs out of the banking system. The following table outlines the sale of loans that have taken place so far:

Date	From	To	EUR mln
Jun-18	Hellenic Bank	B2Kapital	140
Aug-18	Bank of Cyprus	Gordian	2,700
Dec-18	Bank of Cyprus	APS Delta	34
Nov-19	National Bank of Greece (Cyprus)	Coral	400
Jan-20	Bank of Cyprus	B2Kapital	140
TOTAL			3,414

Moreover, given the increased use of assignment of the servicing of NPLs by credit institutions to specialized companies, a set of draft bills for the creation of a legal framework for credit servicing companies has been prepared. The legal vetting process for the following set of draft bills has been completed:

- The Sale of Credit Facilities and Related Matters Law (2020): Under this draft bill, the Law is amended to allow for the credit servicing companies to be licensed, assessed and supervised by the CBC.
- The Immovable Property (Tenure, Registration and Valuation) (Amending) (No.2) Law of 2020: Under this draft bill the Law is amended so that credit servicing companies can access the database of Department of Lands and Surveys (DLS) in order to access the borrowers' creditworthiness for those loans under their management.
- The Immovable Property (Transfer and Mortgage) Amending Law of 2020: Under this draft bill the Law is amended so that transfers relating to the sale and purchase of credit facilities are exempt from certain provisions of the Law to avoid double notices to borrowers from the credit institutions and the DLS.

Furthermore, the following draft bills have been prepared in order to improve the legal framework regulating CACs:

- The Immovable Property (Tenure, Registration and Valuation) (Amending) (No.5) Law of 2019: Under this draft bill, the Law is amended so that credit servicing companies can access the database of DLS in order to access the borrowers' creditworthiness for those loans under their ownership.
- The (Amending) (No.2) Law relating to the Establishment and Operation of a Single Agency for the Out of Court Settlement of Disputes of Financial Nature (Financial Ombudsman): Under this draft bill the Financial Ombudsman may appoint an arbitrator

for the purpose of restructuring credit facilities with CACs or non-financial institutions.

- The Evidence (Amending) Law of 2020: Under the draft bill, the scope of the Law is extended to include arrangements to allow, for testimony purposes, entries of CACs in addition to credit institutions.

The amendments will help improve the legal framework for managing NPLs outside the banking sector and strengthen the secondary loan market.

In addition, the strategy for reducing NPLs also relies upon prudent lending standards for new loans so as to contain new, non-legacy cases, of NPLs. Indeed, the Directive on Credit Granting and review Processes 2015 - 2017, as well as limits set by the CBC on the Loan to Value and Debt Service to Income Ratios, create the framework of means-based criteria under which new loans may be granted. Results to date have been positive, as new loans granted record very low levels of default rates. To this end, the MoF intends to create the legal framework for Credit Scoring Bureaus. The aim is to promote the use of the credit scoring tool which relies on past data in order to predict the payment behaviour of a debtor on a 12-month horizon. In November 2019, the MoF signed a contract for the purchase of legal services for the introduction of this legislation. It is expected to be completed in 2021.

#### **(b) Addressing the most challenging portfolio of NPEs - ESTIA scheme**

The second pillar in addressing the NPEs is the launch of the ESTIA scheme with the aim of protecting the primary residence and provide financial assistance to borrowers with NPLs backed by their primary residence. For viable eligible debtors, NPLs will be restructured with the state undertaking one third of instalments of the restructured facility provided the debtor serves the remaining facility with no arrears. Applications were submitted by 31<sup>st</sup> December 2019 and examination of applications and final assessments as to their acceptance or rejection are scheduled to end by 31<sup>st</sup> October 2020. Following the official announcement of the scheme, 7 banks and 2 CACs confirmed their participation and signed the Memorandum of Understanding (MoU). Borrowers have been given a 4-month application period ending 31<sup>st</sup> December 2019 with 30<sup>th</sup> September 2020 as final date for the completion of application including accompanying documents. Total applications at 31.12.2019 were 5,638 submissions worth €1.7 bln of NPEs.

#### **(c) Effective Governance of KEDIPES**

The third Pillar concerns the effective governance of KEDIPES, with the ultimate aim of reducing the stock of NPLs under its ownership, even though these are recorded as out of the banking sector. KEDIPES is operational – through the collection of loans and the management of assets the repayment of state aid started in October 2019 with €60 mln and in December 2019 with another €60 mln. From 2020, state aid will be repaid on a regular quarterly basis. Furthermore, in March 2020 an amount of €90 mln was repaid. Further state aid of around €140 mln will be repaid in the form of property transfer at market prices in 2020.

Progress to date is summarized as follows:

- The Board and non-executive Committees are fully functional.
- The Chief Executive Officer (CEO) selection process has been concluded. The acting CEO has been appointed and currently undergoing the Fit and Proper evaluation by the CBC.
- The new organizational structure is under implementation. The main findings and pending matters are:
  - There is renewed emphasis on deleveraging and monitoring of the loan servicer.

- Preliminary staff gap analysis has been completed indicating surplus staff. Scenarios for redundancy schemes are being examined and relevant guidance by the Tax Authorities will be obtained.
- Important skills gaps have been identified in particular as regards the monitoring of the loan servicer.
- Areas of potential outsourcing are being assessed.

### **3.2.2. Take steps to improve payment discipline and strengthening the supervision of the credit acquiring companies.**

#### **(a) Improving the payment discipline**

The draft bills for the regulatory framework of Credit Acquiring Companies (CAC) and Credit Servicing companies as described in Section 3.2.1 are expected to improve the working environment for these companies, thereby contributing towards a stronger payment collection from debtors.

MECI is in the process of establishing a new Insolvency Service Department expected to operate more effectively and efficiently than the existing unit within the DRCOR. A new law regulating insolvency services has been approved by the CoM in December 2019, but its enactment is likely to require several more months.

MECI has also delivered training for 115 out of 300 registered insolvency practitioners and plans to implement continuing professional development using the same methodology, after setting up a joint committee of the three licensing authorities.

The latest public campaign for the promotion of alternative dispute resolution (ADR) took place in November 2019 whereas no legislative changes are required, since the legal framework for ADR and mediation is already in place.

It has to be noted that the on-going judicial reforms cited in section 3.5.1, aiming at the enhancement of the efficiency of justice delivery, are expected to speed up the enforcement of court decisions and thus enhance the payment discipline.

#### **(b) Strengthening the supervision of the credit acquiring companies**

According to the provisions of the Sale of Credit Facilities and Related Matters Laws of 2015 and 2018, any legal person intending to assume the activity of the acquisition of credit facilities in the Republic of Cyprus, is obliged to obtain the prior approval of the CBC.

According to the provisions of the aforesaid Law, the following legal persons are permitted to engage in the activity of acquiring of credit facilities without obtaining the prior approval of the CBC:

- A credit institution authorised by the CBC.
- A credit institution that is authorised and supervised by the competent authority of another member state that has the right to provide services or to establish a branch in the Republic of Cyprus.
- A financial institution, which is a subsidiary of a credit institution incorporated in a member state that has the right to provide services or to establish a branch in the Republic

of Cyprus provided that this is allowed by its license.

Authorisation for the operation of a CAC is granted to legal persons that have been incorporated in the Republic of Cyprus, provided that the CBC is satisfied, inter-alia, that: these legal persons are in a position to fully comply with the provisions of the Law; they are able to maintain at all times a minimum paid up share capital of €100,000; their shareholders and directors meet the criteria of fitness and probity; they have an organisational structure that enables them to provide services in accordance with the provisions of the Law; and their planned operations do not raise concerns regarding financial stability in the Republic of Cyprus.

A legal person that intends to establish a CAC in the Republic of Cyprus, may submit to the CBC an application with the accompanying documents specified by the Law and the Authorisations of CACs Directive of 2016. The Directive was issued by the CBC in order to regulate, inter alia, the procedures for granting an authorisation, the criteria for the fitness and probity of shareholders, directors and key function holders, the internal organisation and governance of the CAC and the outsourcing of operational functions to third parties.

CACs are required to analogously implement the Fitness and Probity Directive (2014), the Directive on Governance and Management Arrangements in Credit Institutions (2014) and the Arrears Management Directive issued by the CBC to the extent permitted by their nature as CACs. Moreover, on-site inspections of CACs have been conducted by the supervisor.

A draft bill amending the “Purchase of Credit Facilities and related Matters 2015 and 2018 Laws” has been drafted, the purpose of which is the strengthening of the supervision of Authorized Credit Acquiring Companies and introducing provisions for the authorization and supervision of Credit Servicing Companies (CSCs), including provisions on their management and submission of information to the CBC. The legal vetting of the proposed law has been completed by the Legal Service of the Republic. The main provisions are:

- CSCs will be licenced and supervised by the CBC.
- CSCs will have limited access to the Credit Register.
- CACs & CSCs will have access to the Land Registry.

Furthermore, the CBC is in the process of developing a regulatory framework addressed to CACs and CSCs. The following Directives are in progress:

- Licencing and Supervision.
- Outsourcing.
- Governance and fitness and probity.
- Prevention of Money Laundering and Terrorist Financing.

In October, 2019 the CBC conducted on-site inspection to one of the largest CACs. The CBC is also conducting off-site supervision. CACs are required to submit data to the CBC for:

- Loans.
- Properties (stock, new acquired, sold).
- Financial performance and position.
- Ownership and management status.
- Pending litigations.
- Outsourcing arrangements.
- Customer complains.

### **3.2.3. Strengthen the supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension funds supervisors.**

A draft bill on the creation of a single independent supervisory authority for the supervision of insurance companies and occupational pension funds has been prepared and submitted to the HoR in October 2019. The bill is based on the recommendations of an independent report commissioned with the support of the European Insurance and Occupational Pensions Authority (EIOPA). It aims at achieving a more efficient and effective supervision of the two sectors, thus better managing risks and better guarding the interests of stakeholders. The discussion of the bill at the HoR is in progress.

In the meantime, measures are taken to enhance the capacity of the Department of the Registrar of Occupational Retirement Benefits Funds as well as plans for a smooth transition to the new supervisory setup. Namely, the Registrar of Occupational Retirement Benefits Funds, receives technical assistance from EIOPA on fostering the supervisory framework/processes based on the new European IORPII framework. At the same time, procedures have been initiated for the secondment of specialised personnel from other government departments to the Registrar.

### 3.3. Public employment services, education and training system, affordable childhood education and care, National Health System

#### **Country Specific Recommendation - CSR 3**

**Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people. Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care. Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability**

#### **3.3.1. Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people.**

Labour market conditions continued to improve in 2019 as a result of the continuous economic growth. Specifically, employment (age 15+) in persons increased by 3.9%<sup>10</sup> (15,600 persons) in 2019 while the employment rate reached 75.7% compared to 73.9% in 2018, meeting the national employment target range (75-77% of the population aged 20-64 that should be employed by 2020).

These employment developments resulted also in a slight decrease of the share of part time and temporary employment to total employment for men while the respective share for women indicated an increase. In particular, total part time employment reached 11.3% in 2019 compared to 11.6% in 2018 and the total temporary employment reached 13.6% in 2019 compared to 13.7% in 2018. The employment rate of young people (15-24) increased by 1,1 percentage point (p.p) to 32.4% in 2019, compared to 31.3% in 2018 while the youth employment in absolute numbers remained the same (30,209 persons in 2019 compared to 30,202 persons in 2018). As regards the proportion of young people not in employment, education or training (NEETs) for the age group 15-24, this was 13.2% in 2018 exhibiting a descending trend.

The unemployment rate decreased for both genders and in particular to 6.3% for men and to 8.0% for women while the total unemployment rate decreased to 7.1% in 2019 compared to 8.4% in 2018. Young people (15-24) have also experienced a great drop in the unemployment rate which reached the level of 16.6% in 2019 from 20.2% in 2018. The share of long-term unemployed to total unemployed indicated also a decrease to 29.1% in 2019 from 31.7% in 2018, resulting in the very low level of the long-term unemployment ratio of 2.1% in 2019 from 2.7% in 2018.

The registered unemployment continued its declining trend in 2019<sup>11</sup> since the monthly average number of registered unemployed in 2019 exhibited a decrease of 17% (or 4,445 persons) reaching the level of 22,321 persons compared to 26,766 persons in 2018.

During 2019, Cyprus continued its efforts to tackle unemployment and modernize and

<sup>10</sup> Comparison is done for years 2018 and 2019. Source of data: Labour Force Survey (LFS).

<sup>11</sup> Comparison is done between the monthly average numbers of registered unemployed of 2018 and 2019. Source: Administrative data.

enhance its Public Employment Services (PES) through the strengthening of its human and technical capacity and also exploring the potential to improve efficiency in service provision, the performance of PES as well as reinforcing outreach and activation support for young people.

#### (a) Complete reforms aimed at increasing the effectiveness of the Public Employment Services

The capacity of the PES to provide quality services was considerably increased with the temporary recruitment of 30 employment counselors until the second part of 2020. Therefore, the MLWSI promotes the extension of these contracts as well as the safeguarding of new permanent posts.

Based on the recommendations of the European Committee and the knowledge and guidance gained from the participation in the two Mutual Assistance Projects<sup>12</sup>, PES started the promotion of the following activities for enhancing its capacity and efficiency:

- **Two strategic documents** are being prepared for PES through a bottom up process. The first document is a strategic plan which will define operational objectives and targets in district and local levels for a two-year period. A supplementary document, the management plan will also be produced aiming to outline the department's activities which will contribute to meeting the objectives set in the strategic document and also to set performance indicators for monitoring progress achieved. The second strategic document concerns a legislative proposal regarding PES operation.
- A number of **training courses** were implemented for PES management team and technical committees consisting with officers from other levels of the hierarchy. These training courses were aiming to upgrade the operational processes of PES and also to provide guidance and improve the knowledge and skills of the management team on the use of performance management tools.
- During 2019 the following activities were promoted to **improve and upgrade the IT system of PES**:
  - Upgrading the matching electronic tool through the enrichment of the information gathered regarding the supply and demand of labour.
  - Upgrading the electronic module for the application of individualised guidance and support of vulnerable unemployed.
  - Performance tables through an automated extraction of monthly statistical data.
- **PES operational policy** has been enriched with the design, implementation and evaluation of a 4 month programme promoting the provision of individualised guidance and support to vulnerable jobseekers. Each programme defines different objectives and targets, giving also special recognition and positive feedback to the employment counselors with the highest performance.
- A **preliminary development of an employers unit** is being promoted in each district labour office. This unit is consisted of two employment counsellors, who are dealing with employers issues and vacancies. The operational process, objectives and targets of these

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<sup>12</sup> The aims of these Projects were the upgrading of the Public Employment Services services provided to unemployed and to employers, the IT systems and the Public Employment Services ability to design and implement evidence based ALPMPs, as well as mobilizing actions towards reaching out to NEETs through the enhanced cooperation of relevant actors and the mapping of the NEETs characteristics and their geographical distribution.



units will be defined in the strategic document which is under preparation.

- **Four opinion surveys** – Questionnaires are being prepared for obtaining useful information from employers, unemployed, social partners and PES officers. Alongside, a software will be developed in order to keep records and evaluate surveys results.
- The **outsourcing of security guards services** is being promoted, as a high priority. The security guards will be placed in all PES network. This action will ensure better working conditions and an upgraded quality of work life for the employees and a smoother operation of PES.
- The exercise of **mapping the young persons not in employment, education or training (NEETs)** has been repeated, indicating a 15% decrease (1,110 persons).
- **Informative leaflets** about PES provision of services to jobseekers and to employers are under development through a bottom-up process for dissemination to the public.
- The **first evaluation of the operation of the online platform for the self-service of employers** has been conducted aiming to promote corrective measures for its improvement.
- The **electronic system of monitoring and evaluation of Active Labour Market Policies (ALMPs)** was launched in the beginning of 2019. Corrective measures are being promoted for overcoming identified technical constraints and shortcomings.
- **Two subsidy incentive employment schemes** were running in 2019 which are still active, supporting the employment of individuals with chronic diseases and with disabilities, while a new subsidy scheme for the employment of youth (aged 15-29) is under construction.

#### **(b) Reinforce outreach and activation support for young people**

Cyprus had introduced several measures to support the implementation of the Youth Guarantee Implementation Plan, focused primarily on reforming Cyprus' ALMPs and the reform of its vocational education and training (VET) system. These measures, in conjunction with the high GDP growth, contributed to the substantial drop of youth unemployment.

The European Commission provided peer support to Cyprus in order to add value to the implementation of the Youth Guarantee, going beyond what Member States could achieve on their own. To this end an action plan has been developed, bilateral study visits have been made, progress updates and ongoing support are in place. In this way, PES have prioritized actions as follows:

- **Enhance the cooperation with other stakeholders** (such as Human Resource Development Authority, MoECSY, Cyprus Productivity Centre, Employers' Organizations and companies, Youth Board, Non-governmental organization (NGOs), public and private universities) for the profiling of non in education, employment or training (NEETs), outreach and activation Support, enrichment of the training opportunities, and the information necessary for the analysis of the NEETs' characteristics.
- **Increase the outreach of NEETs** and promote their registration under PES.
- PES is planning to initiate a discussion with MoECSY about the perspective of **building channels of communication with the students**.

### (c) Other measures to upgrade skills and address skills mismatch in the labour market

In order to improve the skills of the workforce in Cyprus, Human Resource Development Authority (HRDA) implements a variety of measures, which include the provision of training opportunities and job placements for the unemployed, the provision of training opportunities for the employed and the development and implementation of a System of Vocational Qualifications. Some schemes are targeted specifically to young people. Also, they can participate in schemes addressed more widely to unemployed and inactive persons, as briefly described below.

HRDA has a comprehensive system for evaluating the impact of its activities in place. All studies include field research through telephone interviews. The main results of the most recent relevant evaluation studies are mentioned under each scheme.

#### - ESF co-funded projects during the 2014-2020 programming period

*System of vocational qualifications (SVQ):* The operation of the SVQ continues during the programming period 2014 - 2020, with a budget of €6.1 mln. It is foreseen that 80 new VQS will be developed in various sectors of the economy, the existing 72 VQS will be revised and around 4,000 certificates will be awarded to employed and unemployed persons. During 2019, 366 certificates were awarded and total expenditure amounted to €450,298. The 2020 budget amounts to €1.38 mln and the target is the certification of vocational qualifications for 650 candidates.

#### - Non-ESF co-funded projects

### Contribution to the Integration of unemployed and inactive into employment

- **Scheme for the employment and training of tertiary education graduates:** The scheme aims at providing opportunities to tertiary education graduates less than 30 years old while at the same time strengthening enterprises and organisations through the employment and training of qualified persons. During 2019, 777 unemployed graduates benefitted from the scheme and total expenditure amounted to around €4.65 mln. The 2020 target is for 1,250 unemployed graduates to benefit from the scheme, with a budget of €7.30 mln.

Results of the study on the scheme, show that it had a very profound effect on employability since the vast majority of the participants (93%) are employed, approximately 6 months after completing their participation. Approximately 8 in 10 (78.8%) of the participants, continue to work in the same enterprise/organisation that they were employed by during their participation in the scheme.

- **Scheme for the training of the long-term unemployed in enterprises/organisations:** This scheme offers opportunities to the long-term unemployed in order to integrate/reintegrate in employment with the parallel acquisition of the necessary knowledge and skills. The HRDA provides incentives to employers in order to design, organise and implement in-company training programmes to cover the training needs of newly employed persons who were long-term unemployed. During 2019, 92 long-term unemployed persons benefitted from the scheme and total expenditure amounted to

€335,392. The 2020 target is for 300 long-term unemployed persons to benefit from the scheme, with a budget of €900,000.

Results of the *study* on the scheme, show that the scheme had a very profound effect on employability since the vast majority of the participants (88.5%) are employed, approximately 7 months after completing their participation. Also, approximately 8 in 10 (76.4%) of the participants, continue to work in the same enterprise/organisation that they were employed by during their participation in the scheme.

- **Training programmes for the unemployed:** Provision of training opportunities for the unemployed in order to acquire or upgrade their skills and knowledge, in accordance with the needs observed in the labour market and thus broaden their prospects for reintegration in employment. Training programmes may include an on-the-job practical training part in an organisation/enterprise.

During 2019, 3 training programmes for unemployed persons to offer care services to Guaranteed Minimum Income (GMI) recipients, and 9 training programmes for unemployed GMI recipients in the retail sector were successfully completed.

Overall, during 2019, 348 unemployed persons benefitted from the scheme and total expenditure amounted to €167,003. The 2020 target is for 500 unemployed persons to benefit from the scheme, with a budget of €1.04 mln.

Results of the *study* on the Scheme, show that half (49.7%) of the participants are employed, approximately 6 months after completing their participation. More than half (52.8%) of the participants, continued to work in the same enterprise/organisation in which they were placed during their participation in the scheme. Also, the majority of the participants (68.1%) consider useful or very useful the knowledge and skills acquired by participating in the Scheme.

- **Standard multi-company training programmes - participation of the unemployed:** Each vocational training centre may accept unemployed persons who are registered with the PES to participate in training programmes to further enhance their knowledge and skills. During 2019, 344 unemployed persons benefitted from the scheme and total expenditure amounted to €75,411. The 2020 target is for 2,000 unemployed persons to benefit from the scheme, with a budget of €300,000.

Results of the *study* on the scheme, show that almost 4 in 10 (39%) participants were employed, 7 months after completing their participation in the Scheme. Also, most of the participants (84.2%) consider useful or very useful the knowledge and skills acquired by participating in the Scheme.

Additionally, the HRDA conducts research studies on employment forecasting and the identification of skills gaps, as briefly described below:

- **Forecasts of Employment Needs in the Cyprus Economy:** The HRDA provides 10-year employment forecasts on a regular basis every two to three years. The latest study, completed in 2017, covers the period 2017 - 2027 and provides forecasts for employment needs in economic sectors (three broad sectors, 21 main sectors and 52 sectors) and in 309 occupations (173 high level occupations, 130 middle level occupations and 6 low level occupations) covering the whole spectrum of the Cyprus labour market. A new

study which will cover the period 2020 - 2030, is expected to be published in June 2020.

- **Identification of employment and training Needs:** This study, conducted annually, provides annual estimates for the number of persons required for specific occupations and the needs for specific skills. Based on these estimates, suggestions are put forward for the implementation of training programmes. The views of social partners, other stakeholders and enterprises are collected and analysed as well.

#### **(d) Other Reform Measures - Career Counselling and Educational Services**

The Career counselling and educational services (CCES) operate under the administration of the Secondary General Education of MoECSY. The CCES practice, focuses on the personal, interpersonal, educational and career development of high school students, through individual/or group counselling. Furthermore, the CCES assists graduate students, parents and other young people.

The CCES operated a scheme targeting NEETs 15–29 years old, which included outreach activities to attract non-registered NEETs as part of the measures covered under the National Action Plan for Youth Employment (NAPFYE). The main goal of the project was to expand and enrich the already existing counselling services to NEETs and assist them to reflect on their capabilities while providing options for either employment or further education and training. The process included aptitudes, knowledge, skills and attitudes evaluation through the use of psychometric testing, specialised tools or guidance evaluation questionnaires. Additionally, through the establishment of an individual action plan for each recipient, counsellors referred them to regular secondary or tertiary education, to second-chance school programmes, or to vocational training programmes. The project was completed in November 2019 with partial success.

#### **3.3.2 Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training.**

Measures have been taking place to reform the education and training system, including students' and teacher's evaluation, and increase employers' engagement and learners' participation in vocational education and training as follows:

##### **(a) Students' and teachers' evaluations**

###### **- Integrated student evaluation system (ISES)**

The ISES aims to give emphasis on formative assessment and to diagnose student needs in relation to specific expected outcomes and offer early the necessary educational interventions for improvement. Priority is also given to alternative forms of student evaluation. Based on the operating regulations of the secondary education, semester core exams are also implemented.

The ISES is being implemented during the current 2019 - 2020 school year, for the students in the elementary school and for the first grade of upper secondary education and technical and vocational schools. It is envisaged that by 2022, the ISES will be implemented gradually in all grades of general technical and vocational education. Concurrently, teachers'

professional development on formative assessment, alternative forms of student evaluation and modern teaching methods is continuing in order to support and strengthen teachers in implementing the ISES.

During the current period, the MoECSY has engaged in a dialogue with all social partners and has recorded all the suggestions to move towards improvements of ISES in the best interest of the students', teachers and society. In addition to this, the Centre of Research and Evaluation is currently evaluating the first semester's implementation of the ISES whilst the effort of educating and informing teachers, students and other stakeholders on formative assessment and its benefits continues.

#### - **Teachers professional learning and evaluation**

##### **Teachers' professional learning (PL)**

The aim of the PL is the quality improvement of teachers' and students' education, therefore, all schools are expected to prepare a Professional Learning Action Plan (PLAP), which is an integral part of the School Improvement Action Plan. For the preparation and implementation of the PLAP, the Cyprus Pedagogical Institute (CPI), which is responsible by Council of Ministers' Decisions for PL and teachers' professional development, has implemented an electronic platform, which offers supporting material and suggestions for cooperating opportunities with the MoECSY or other institutions (e.g. universities), as well as additional instructions.

An opportunity is given to a small number of schools, on a voluntary basis, to follow a more systematic procedure with annual systematic support of the CPI. The CPI supports teachers in these participating schools in order to decide, plan and implement a variety of actions and practices that are consistent with the educational reality in their school and to reflect on them. Since the school year 2015 – 2016, 127 schools have participated in the CPI Professional Development Support Programme for a two - year period. Every year, self-efficacy questionnaires are administered to the teachers in the schools participating in the CPI Professional Learning Support Programme before and after their participation.

##### **Teacher's Evaluation**

Teacher evaluation remains a major challenge and, despite the fact that the MoECSY has tabled a well prepared proposal, there has not been enough progress yet. The closing date for submitting the views of all stakeholders on the proposal for the Evaluation was August 19, 2019, but not all stakeholders submitted their views. Meetings with Trade Unions were held but they were not conclusive. In December the new Minister decided to continue the consultation meetings until an agreement is reached.

#### **(b) Increase employers' engagement and learners' participation in vocational education and training**

##### - **Vocational education**

MoECSY aims to increase access to and participation in the following public VET programmes:

- **Secondary Technical and Vocational Education:** Regarding Secondary Technical and

Vocational Education curricula, the new specializations “Cosmetology”, “Ship Mechanics”, “Seamen”, “Viticulture - Oenology” and “Dairy Technology - Cheese Making” were introduced as of September 2019, following the Decision of the Council of Ministers no. 87.654, dated 5<sup>th</sup> June 2019. The operation of the abovementioned newly introduced specializations, reflecting market needs, is deemed successful and it is expected that the number of students enrolled will increase significantly in the following years, as they will be widely advertised to Gymnasium students.

- **Evening Schools of Technical and Vocational Education:** MoECSY is introducing a new framework of second chance schools (evening schools of general education and evening schools of technical and vocational education) which focuses upon three axes: (a) the design of new curricula, (b) the development of new timetables and (c) the introduction of new regulations. The process of designing and implementing the above actions is on-going and a number of aspects are still to be addressed.

Such schools started operating in Larnaca, Pafos and free area of the Famagusta district as of September 2019.

- **Public School of Higher VET:** In December 2019, the Ministry submitted applications for the evaluation and accreditation of ten new two-year Higher VET programmes of study to the Cyprus Agency of Quality Assurance and Accreditation in Higher Education, in order to be offered by the Public School of Higher VET as of the academic year 2020 – 2021. The new programmes include “Vehicle Technology”, “Culinary Arts”, and “Bar and Restaurant Arts”.
- **Apprenticeship System of Vocational Education and Training:** Modification of a Secondary General Education School for the introduction of the Secondary Technical and Vocational Education specializations “Cooks and Waiters”, “Computer Engineering, Networks and Communications”, and “Hairdressing” has been completed. These are being offered as of September 2019.
- **Lifelong Learning Programmes of Vocational Education and Training:** The decision of the CoM in January 2019 (no.88672) designated the MoECSY as the agency responsible for the preparation, implementation and evaluation of the new Lifelong Learning (LLL) Strategy for 2021-2027 period. MoECSY has established a Lifelong Learning and Adult Education Unit on September 2019, for the development and monitoring of the new LLL Strategy, in collaboration with other Ministries and stakeholders. The Unit submitted in October 2019 a request to receive support under the Structural Reform Support Programme (SRSP) of the EU for the preparation of the new LLL Strategy for the years 2021 - 2027, which has been approved. It is expected that a comprehensive Strategy will serve as an appropriate medium to target significant benchmarks such as the participation of adults in education and training, the upskilling and reskilling of low skilled adults and the high percentage of unemployment among young people.
- Furthermore, in order to enhance employers’ engagement in vocational education and training, MoECSY has signed Memoranda of Cooperation with the Cyprus Chamber of Commerce and Industry on June 2019 and the Cyprus Employers and Industrialists Federation on July 2019. The Memoranda include, amongst others, measures for the development of new or the review of existing VET curricula, so that they are aligned with changing labour market needs. They also include measures for the facilitation of

industrial placement of VET students in enterprises. Liaison persons have been appointed in order to support and facilitate the implementation of the measures included in the Memoranda.

- In addition to the above, organization of information campaigns regarding the employment/career prospects offered by secondary technical and vocational education, mainly addressing students of lower secondary education (gymnasiums). These include visits to all the gymnasiums of Cyprus, as well as informative meetings with parents.

#### - Vocational Training

In order to improve the skills of the workforce in Cyprus, HRDA implements a variety of measures. The funding provided by the HRDA has effectively motivated enterprises and their employees to participate in training and development activities. Employers are directly involved in training activities and prepare and submit training programmes to the HRDA on a continuous basis. In general, the subsidisation covers 80% of the eligible total costs. The following programmes are currently implemented:

- **Single-company training programmes in Cyprus:** The scheme aims at providing incentives to employers to design and organise in-company training programmes, in order to meet the specific needs of the enterprise for the effective utilisation of its personnel. During 2019, there were 39,777 participations and total expenditure amounted to around €6.36 mln. The 2020 target is for 47,000 participations with a budget of €7.10 mln.
- **Single-company training programmes abroad:** The scheme aims at providing incentives to employers to participate with their personnel to training programmes abroad in order to acquire specialised knowledge and skills in areas related to the introduction of innovation, new technology and technical know-how. During 2019, there were 187 participations and total expenditure amounted to €410,000. The 2020 target is for 400 employees to benefit from the scheme, with a budget of €860,000.
- **Standard multi-company training programmes:** The Scheme aims at providing continuing training for meeting the training needs of employees through their participation in training programmes implemented by certified public or private vocational training centres. They cover a broad range of issues in all operations of the enterprise and in all occupations. During 2019, there were 12,801 participations and total expenditure amounted to around €3.51 mln. The 2020 target is for 14,000 participations with a budget of €3.85mln.
- **High priority multi-company training programmes:** The scheme aims at providing continuing training to meet the needs of employees through participation in training programmes in specific high-priority issues implemented by public or private vocational training centres. During 2019, there were 1,756 participations and total expenditure amounted to around €2.7 mln. The 2020 target is for 1,500 participations with a budget of €2.25 mln.
- **Scheme for the utilization of alternative forms of learning:** The scheme, which is currently in the planning stage, will meet the training needs of employees through their participation in training programmes using alternative forms of learning utilizing Information and Communication Technologies (ICT). The 2020 target is for 1,000 participations with a budget of €400,000.

- **System for the assessment and accreditation of training providers:** The aim of this system is to assess physical and legal entities dealing with the organisation and implementation of training activities or/and with the provision of infrastructure facilities for their implementation, to be certified as vocational training centres, vocational training facilities and trainers of vocational training. Certification through the system is compulsory for those who want to cooperate with the HRDA for the implementation of subsidised, co-funded or/and tendered training activities. Persons who want to become trainers of vocational training must successfully go through the assessment and certification procedure following the system of vocational qualifications operated by HRDA and acquire the trainer of vocational training qualification.

### 3.3.3 Deliver on the reform for affordable childhood education and care.

The reform for affordable childhood education and care is among the priorities of the MoECSY. The following measures are promoted:

#### (a) Compulsory pre-primary education

It is offered free of charge to children aged 4 years and 8 months and over, who attend public kindergartens. After the registration of all the children of compulsory pre – primary education, any vacant places are allocated to younger children (aged 3 to 4 years and 8 months). These children pay a token fee of €42, per child, per month. The allocation of the places is based on criteria approved by the MoECSY. The Ministry assessed and reviewed these criteria due to the socioeconomical changes in Cyprus. According to the revised criteria, priority is given to children at risk and socioeconomic deprivation. For example, some of the new criteria include children under the protection/supervision of the Welfare Office or orphans or children whose parents are unemployed, children of a family with three children or more or a single parent families, as well as children of Roma families.

A recent reform that has been approved by the CoM, refers to the gradual increase of the entry age in primary education, to 6 years old, and consequently, the extension of attendance in compulsory pre-primary education.

#### (b) All-day public kindergartens

In order to support families' employment opportunities, all-day optional public kindergartens function until 4:00 o' clock, on a voluntary basis. The MoECSY provides the teaching staff and the appropriate equipment. The expenses for the pupils' meals are undertaken by parents (monthly fee is between €50 - 60).

Following the financial crisis in Cyprus, a growing number of families were unable to afford breakfast for their children or meals for the all-day optional kindergartens. MoECSY, based on financial and social criteria, covers the cost for breakfast and meals for these children. The criteria include children that come from families who receive the GMI, have unemployed parents, are orphaned, come from single parent families and/or belong to families with 3 or more children, or belong to families with a particularly inadequate income.



### **(c) Community kindergartens**

Community kindergartens are operated in cases where the public kindergarten classes available do not meet the needs of all the children aged 3 to 4 years and 8 months old, in the community. MoECSY subsidizes, with an annual grant. Due to the grants allowed, community schools offer quality educational programs with low fees.

MoECSY subsidizes, with an annual grant, local authorities, parents' associations of public pre-primary schools, community welfare boards, trade unions, or charity boards, for the establishment and operation of community kindergartens. Due to the grants, community schools offer quality educational programs with low income fees.

The implementation of the CSR concerning the affordability of childcare services is among the main priorities of the Ministry of Labour, Welfare and Social Insurance (MLWSI), which is currently working on a package of policy measures regarding demographic and family policy, including measures to enhance the availability and accessibility of childcare services up to 3 years and 8 months of age. At this stage, however, nothing concrete has yet been decided. The new policies will be announced in the coming months.

Over the years particular attention has been given to the provision of accessible, affordable and quality child care services at the local level with the involvement of local stakeholders (NGOs and local authorities), enhancing in this way state efforts for the provision of care services. The further development of child care services is considered a priority, for both the National Action Plan for Demographic and Family Policy 2019-2020 and the National Strategy for the Development of Mountainous Communities. In this direction, the MLWSI is implementing the schemes below.

### **(d) State aid scheme for the development and operation of quality social care programmes**

MLWSI is implementing a state aid scheme, under the Regulation 360/2012, for the provision of services of general economic interest where NGOs and local authorities may receive state aid, if they fulfil certain criteria, for the development and operation of quality social care programmes. In addition, technical assistance through the competent state services is provided to NGOs and local authorities receiving state aid. One of the main priority areas addressed through the state aid scheme is the “strengthening of state policies aimed at reconciling work and family life, by developing high quality social care services for dependent family members and by extending their working hours to facilitate working parents”. In 2018, an amount of about 2.7 mln euros was provided for the funding of 131 programmes covering child care needs (day care centers for pre-school and school age children and day care centers for children with disabilities).

### **(e) Scheme for the Subsidisation of Care Services**

MLWSI continues the implementation of this scheme, which covers the long term social care needs of GMI recipients and members of their family unit. Under this scheme, the childcare needs of GMI recipients are subsidized with a sum of up to €102 per child per month. In addition, the state operates four-day care centers for preschool age children, covering the needs of approximately 132 children.

Childcare services for children up to the age of compulsory education are also provided by child minders who are registered based on the provisions of the relevant legislative framework (Children's Law, Subject 352 and Regulations) and whose services are inspected by the social welfare services (SWS). Child minders provide childcare services to a small number of children and according to the latest data there are approximately 60 registered child carers.

The SWS are responsible for the enforcement of the legislative framework for guaranteeing the minimum quality standards of social services provided by the private sector (profit and non-profit). In this context they conduct inspections to childcare services (child minders, day care centres for pre-school age children and school age children) in accordance with the law.

Concerning the relevant statistical data (EU SILC data 2018) for the care of children aged less than 3 years old in formal childcare or education, it should be underlined that the related indicator has increased significantly over the last years, from 20.8% in 2015 to 28.2 % in 2017, reaching 31.4% in 2018, although it is still below the EU average (2018: 35.1%). At the same time, the personal preferences of the parents themselves to provide home-based care to their infants with the help of relatives/family members should be taken into consideration for the purposes of the above mentioned indicator.

### **3.3.4 Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability**

#### **(a) Full implementation of the General Health System (GHS)**

Phase I of GHS, covering outpatient care services by personal doctors (PDs), outpatient specialists, pharmacies and laboratories, was launched on 1<sup>st</sup> June 2019. Under this phase the following actions were implemented:

- Introduction of personal doctor for the first time in Cyprus. Implementation of primary care with completion of registration of general practitioners (GPs) as PDs, completion of training of doctors and operation of the GHS electronic system. Provision of information to the public and healthcare professionals about the participation in the GHS.
- Implementation of minimum requirements for healthcare providers (HCPs) to contract with the Health Insurance Organization and offer healthcare services via GHS.
- Implementation of a one global IT system for GHS operation which serves all HCPs and beneficiaries.
- Introduction of electronic patient history and electronic patient profile for the beneficiaries of the GHS.
- Adoption of international codification such as ICPCII, ICD10, CPT, LOINC, ATC.
- Creation of central depositories for beneficiaries, HCPs and healthcare services.
- Introduction of an initial set of insurance and medical rules, as well as coding guidelines to control misuse and abuse of the system.

For the purpose of enabling and regulating the smooth implementation of GHS, a great number of regulations, internal regulations and decisions were issued, empowered by the existent legislation. The list of these legal measures can be found in **ANNEX I**.

In order to complete the full implementation of the GHS planned for 1<sup>st</sup> June 2020, covering (in addition to phase I services) inpatient care, allied health professionals' services, nurses and midwives, palliative care, medical rehabilitation services, accident and emergency (A&E)

departments, ambulance services and preventive dental care, the following actions/measures are planned in the context of phase II (final phase) implementation:

- Completion and implementation of GHS IT system.
- Completion of the regulatory framework which relates to the Phase II.
- Completion of discussions with representatives of HCPs for the phase II healthcare services.
- Contracting with HCPs for the phase II services.
- Continuation of the communication activities to inform the public and stakeholders.
- Enhancing coding guidelines, insurance and medical rules, which is an ongoing process and a key priority of HIO.
- Continuation of the efforts to inform and train beneficiaries and HCPs regarding the correct utilization of services under the new system.
- Implementation of performance based (KPI's) reimbursement methods for HCPs once sufficient data is gathered through the IT system.

Measures undertaken for the financial viability of the system include, among others:

- Implementation of global budget principle for all HCPs' categories which ensures that expenditure does not exceed revenues.
- Implementation of cost-effective reimbursement methods for HCPs in the context of global budget enforcement (e.g. capitation fee for PD's, discounts and claw backs for drugs, point- system reimbursement for outpatient specialists)
- Implementation of co-payments and personal contributions for beneficiaries at the point of service.
- Submission of three-year medium-term budgetary framework 2020 - 2022, setting specific ceilings for expenditure to keep GHS expenditure at a sustainable level.

Additional measures planned for financial viability:

- Cooperation of the HIO with the International Labor Organization (ILO) regarding the provision of actuarial services on (a) adoption of actuarial model for the needs of the GHS Fund, (b) actuarial studies, (c) Building of HIO in-house capacity on actuarial valuations and (d) Regular actuarial studies on the long-term viability of GHS Fund.
- Submission of regular reports at least every 3 years to the Minister of Health for decision making purposes regarding the viability of the GHS, including recommendations on required changes to the contribution rates for the financing of the GHS, the level of copayments and the package of covered services.
- Implementation of protocols/guidelines to avoid misuse/abuse of healthcare services.
- Further enrichment of claims adjudication rules. The utilization of data analytics techniques is an important measure to help identification of the target areas.
- Implementation of the GHS expenditure budget on the basis of a global budget. This applies to the budget of 2020, which sets a limit on the costs that may be incurred in relation to the remuneration of HCPs on the basis of HIO forecasts.
- Complete utilization of the capabilities of the GHS IT System for introducing medical and insurance rules, as well as protocols in order to control misuse and waste of the system.
- Exploitation of the vast amount of data collected via the GHS system using data analytics in order to control costs and target expenditure.
- Promote an effective HIO internal control plan to achieve a better allocation of available resources and to exercise more efficient control over projects deemed to be high risk such

as the IT System, sensitive information management and confidentiality and personal issues data.

- Effective management of cash of HIO Fund to achieve a reasonable return while maintaining the risk to the permissible limits.

### **(b) Public Hospitals' autonomization**

The autonomization of public hospitals is a major part of the Healthcare Reform in Cyprus. By enactment of the Law N. 73(I)/2017 on establishing the SHSO, SHSO has been established as an organisation responsible for the operation of all public hospitals and public healthcare centres in areas under the effective control of the Republic, as well as responsible for the implementation of the administrative and financial autonomization in public hospitals. Based on that, SHSO has, by Law empowerment, undertaken from the State (MoH) the task for the administrative and financial autonomy of public hospitals as a prerequisite for the implementation of the GHS.

Through this legislative measure, opportunities for more personnel specialization, staffing with personnel with knowledge on hospital administration and management, opportunity for economies of scale based on better planning and more effective allocation of resources, speeding up of the decision-making process and reduction and flexibility on administrative processes and respective cost, are expected.

Into this direction, as from 01.01.2019, SHSO has undertaken responsibility of all public hospitals and healthcare centers and among others the following actions have taken place:

- Personnel in public hospitals and healthcare centers has been seconded to SHSO. The management team consisted of the CEO, the Chief Financial Officer (CFO) and the Chief Operating Officer (COO) of the Organisation has been appointed and new specialized staff is being employed.
- The Scientific Council has been established and respective meetings are taking place.
- Six directorates of hospitals and services have been established.
- The Organisation's budget for 2020 has been voted by the Parliament.
- Actions are in progress towards the planning of the organisation's cost and revenues for the next five years, the setting up of monitoring and data availability mechanisms, the correct submission of claims through the HIO system for reimbursement reasons, the monitoring of the system, the co-payments and the quality of the provided services, as well the reduction of the waiting lists and the waiting times.

### **(c) Other Reform Measures in the area of healthcare**

A number of reform measures in the healthcare sector has been implemented for the smooth operation of NHS, safeguarding also its sustainability. These measures include the followings:

#### **- Restructuring of Public Primary Care (PHC)**

- Based on an approved by the CoM restructuring plan, all rural and urban primary healthcare have been restructured.
- The working hours of PHCs in urban areas have been extended and zones of HC have been developed to ensure interchangeability.
- The required medical equipment and electronic means have been provided to ensure the enrollment of GPs as PDs for adults.

- Building maintenance, renovations and infrastructure reinforcement has been completed.
- The registration of GPs as PDs and Medical Specialists has been completed.
- The training of doctors for their participation in the GHS (1st phase of primary education) and operation of the NHS electronic system has been completed, as well as the training of doctors who did not meet the requirements for their registration as PDs.

#### - **Electronic Health (eHealth)**

eHealth is among the Government's priorities and for this reason a strategy was developed by a special presidential counsellor. The National eHealth Law which has been enacted after being approved by the HoR on 5<sup>th</sup> April 2019, provides, amongst others, for the establishment of a National Electronic Health Authority as a legal entity of public law. The authority was appointed by the CoM in October 2019 and is managed by and acts through a seven-member board. It manages its assets and resources and carries out its duties, powers and authorities and it is responsible both for national and cross border needs (National eHealth Contact Point - NCPeH in the area of eHealth and its duties and responsibilities are included in the said Law).

In addition to that, MoH, promotes a number of eHealth projects, such as the roll out of an Integrated Health Care Information System to all public hospitals and healthcare centers in the Republic of Cyprus (production operation date by the end of 2021), the digitization of existing paper medical records of all public hospitals and health centers in the Republic of Cyprus (production operation date by the end of 2022), the laboratory information management system (LIMS) for the State General Laboratory, the deployment of generic cross border eHealth Services in Cyprus (national contact point for cross border healthcare - for the patient summary and e-prescription and eHealth Network Project co funded by CEF/INEA), the electronic exchange of social security information project (EU project co funded by CEF/INEA), the public screening programs information system and the interfaces of existing IT systems with the NHS software.

#### - **Pharmaceuticals**

The pharmaceutical services of the MoH have undertaken several measures toward the facilitation of the implementation of the NHS. These include the drafting of the following legislative acts:

- The Pharmacy and Poisons (Amendment) Law of 2019.
- The Specifications for the Establishment and Functioning of Hospital Pharmacies Regulations of 2019.
- The Specifications for the Establishment and Functioning of Pharmacies Open to the Public (Amendment) Regulations.
- The Narcotic Drugs and Psychotropic Substances (Amendment) Regulations of 2019.

The above legislative acts have been enacted by the HoR, with the exemption of the Specifications for the Establishment and Functioning of Hospital Pharmacies Regulations, which is currently undergoing public consultation and the final draft is expected to be sent to the Legal Services for legal vetting. In general, these provide for the necessary adjustments to the practice of pharmacy in order for pharmacists to function effectively with the GHS. The provisions generally include systems for electronic prescribing, generic interchange and detailed keeping of records. In addition, new regulations for the establishment of hospital pharmacies will be enacted for the first time.

The pharmaceutical services of the MoH have also drafted the establishment of a National Medicines Authority Law, currently undergoing legal vetting. This legislation establishes an independent national agency modelled after similar agencies in the EU for the regulation of medicinal products, cosmetic products and medical devices.

- **Measures for addressing the existence of waiting times in accessing to healthcare services**

Among the strategic goals of the MoH is the promotion, to the ultimate possible degree, of co-operation between the public health services and the private health sector, as well as the provision of equal opportunities for health care to all citizens, irrespective of their socio-economic status and place of residence. In order to achieve these objectives, the MoH has established a voucher system for two schemes:

- Scheme for the Provision of Financial Assistance for Healthcare Services not provided in the Public Sector: First implemented in April 2015, the vouchers scheme aims at upgrading the quality of health services offered to patients, reducing dramatically the cost of the health services obtained from the private sector, enhancing transparency, ensuring the right of patients to choose the medical centre and doctor of their preference (co-payments methods), improving access to healthcare and reducing waiting times for specific healthcare services. The process involves beneficiaries who are entitled to public healthcare benefits and includes a number of groups/categories of healthcare services. With the voucher process a number of approximately 1,500 patients benefit per year. Furthermore, according to the provisions of the scheme, 3,000 patients per year are referred for treatment/ examinations /tests in the private sector either for services not provided in the public sector or to avoid waiting list in public hospitals. So far, the voucher system programs have been successful in achieving their objectives and should therefore be considered as a basic mechanism for further improvement of the existing health system.
- A program aiming at reducing waiting lists in public hospitals came into force in February 2018, after a relevant CoM decision. Its success, allowed the MoH to gradually extend into more specialties by using overtime hour benefits, as well as referral to the private sector combined with the extension of the working hours of outpatient departments to cover afternoon hours between 3 pm and 6pm. A new decision of the CoM on January 2019 renewed the implementation of the piloting programs until 31.05.20 19 for the out patients and until 31.01.2020 for other specialties covered. In May 2019 and in January 2020, respective decisions were taken by the CoM, extending the implementation of the scheme for afternoon hours in outpatients and in other specialties until 31.05.2020.

- **Other measures taken in response to the Country Report for 2020**

- Long Term Care:
  - A draft law on the provision of community nursing and community obstetrics services, has been prepared after public consultation and it is currently under legal vetting.
  - A draft law regulating the establishment, operation, control and supervision of rehabilitation services and rehabilitation centres, is currently under legal vetting.
- Adequate number of doctors, training, research, continuous learning and skills of

health personnel and investment in health:

- The number of doctors to enroll as PDs under the NHS is considered as adequate by HIO. GP specialisation is provided by the MoH, in collaboration with the relevant Greek authorities. Regarding some specialties, there is a shortage on certain specializations such as respiratory physicians, nephrology, child psychiatrists' etc. at the public sector, but efforts are continuous towards covering respective needs.
- A draft legislation for University Clinics for both private and public sector is being discussed with the various stakeholders involved (medical schools, doctors unions). This will govern collaboration with medical schools and is going to necessitate amendment of the existing training agreements for medical students and is currently is at the level of legal vetting.
- SHSO proceeds with the provision of financial incentives especially for the organization's Doctors.
- Although the necessary investments in secondary and mental care have not started yet, measures have been taken to improve the quality of the services provided to the patients by SHSO. Investment projects in building infrastructure and IT are running in some hospitals and primary healthcare centers, aiming at the smooth operation of hospitals within the GHS. In addition to that, the investment needs in human capital are continuous, especially within the newly established GHS environment. Efforts by the SHSO are continuous in hiring specialized medical personnel, IT officers for hospital environment, accountants etc.
- The MoH has submitted its proposals for individual strategies in the area of health to be financed under the next Multiannual Financial Framework for the period 2021 - 2027. These investment proposals are linked to the CSR for Health, having as a basic aim to strengthen the implementation of the GHS and provide for its sustainability. Among the proposed actions are the introduction of performance-based reimbursement system by HIO, the training of HCPs, the introduction of guidelines, clinical protocols and other measures supporting to clinical decision making by physicians and the development and implementation of IT systems for screening programs.

### 3.4. Investment-related economic policy (transport, environment, digitalization, research and innovation), permits and licenses for strategic investors, finance for small and medium-sized enterprises and privatization projects

#### **Country Specific Recommendation – CSR 4**

**Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within the Member State. Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licences. Improve access to finance for small and medium-sized enterprises, and resume the implementation of privatisation projects.**

#### 3.4.1. Focus investment-related economic policy on smart and sustainable growth

##### (a) Sustainable transport

Cyprus' national planning for sustainable transport and for increasing the energy efficiency in the transport sector by 2030 will be achieved by continuing the measures and policies that have already been implemented/adopted by the end of 2019 and by planning additional actions to be implemented in the immediate future.

The National Energy and Climate Plan<sup>13</sup> (NECP) that was completed in January 2020, includes a detailed description of all these measures.

Below are some of the measures implemented in 2019 and 2020 in this area:

- The Amendment of the Motor Vehicles and Road Traffic Law (Law 100(I)/2013) for revision of the vehicle taxes and annual circulation taxes, with a view to reducing CO<sub>2</sub> emissions, which had been in force since 2014. The latest amendment (Mar 2019) revised the method of calculating the motor vehicle registration fees, in relation to CO<sub>2</sub> emissions going beyond certain thresholds.
- Incentives for the purchase and use of low/zero emission vehicles including the old vehicle scrapping scheme and financial incentives for the purchase of electric vehicles have been announced in late 2019 by the Road Transport Department. This scheme will have a total cost of €3 mln and will come into force in 2020.
- Integrated Fleet Management System (Central Government vehicles) that includes the installation of an Integrated Fleet Management System by the Department of Electrical and Mechanical Services (DEMS), on approximately 1800 government owned vehicles. The system was installed in 2017 and its total cost was €1.6 mln.
- Installation of 10 double fast-charging stations in highways and public road by the DEMS. This action will be completed in 2020 and its total cost is approximately €1 mln. Three additional charging stations will be installed by the Public Works Department (PWD) in 2020 through the European Programme EnernetMob.

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<sup>13</sup> [http://www.moa.gov.cy/moa/environment/environmentnew.nsf/all/EE3E8BE9D5282E5CC22584F700273BD9/\\$file/submission.zip?openelement](http://www.moa.gov.cy/moa/environment/environmentnew.nsf/all/EE3E8BE9D5282E5CC22584F700273BD9/$file/submission.zip?openelement)



- Regarding public transport, new bus concessions are planned to be put in force in 2020, which will further improve the system. The increase of the use of buses that have low or zero GHG emissions will be implemented for the contract period 2020-2030. Furthermore, the new bus contracts include specific requirements for the use of electric buses and provision for conversion of operators' bus fleets to use Compressed Natural Gas (CNG), when such fuel source is available in Cyprus and the prerequisites for doing so exist. The new bus contracts were awarded for three districts and intercity buses. The signing of relevant contracts is in progress.
- Improvement of the efficiency of the public transport system through the installation of a telematics system that manage the bus services and record data. The related website and mobile application contain a detailed map of the routes and the timetable of buses in order to facilitate passengers in real time. This action was completed on the existing bus fleet in 2018 and its cost was approximately €7 mln, including maintenance for 5 years. The project was co-financed by ESIF. It will be repeated for the new bus fleet during the implementation of the concession contracts in 2020.

Some new measures planned in the area for the coming years are the following:

- The shift of modal share from car trips to sustainable modes of transport, through the implementation of the policies and measures that are included in the Sustainable Urban Mobility Plans (SUMP) and the National Transport Strategy (NTS). SUMP include costed policies and measures which scientifically prove that a specific modal shift from car trips to sustainable modes of transport can be achieved. This group of measures includes significantly improved bus services (routes, frequencies, hours of operation), upgrading of infrastructure for pedestrians/cyclists/public transport, development, implementation of a holistic parking policy, implementation of high-quality public transport corridors and essentially a group of targeted measures that promote the use of sustainable modes of transport and discourage the use of car trips. The SUMP for all cities are under elaboration whilst implementation has started in one city and will span overall from 2020 to 2030.
- The promotion of the purchase and use of vehicles with low or zero emission takes into consideration the harmonisation and implementation of European Directives (e.g. Clean Vehicles Directive) for the purchase of new vehicles both for the private and public sector.

The promotion of the purchase and use of low/zero emission buses is based on the incorporation of the new public transport contracts terms, the Clean Vehicles Directive and the incentives for the use of low/zero emission tourist buses

Some of the foreseen impacts from the above measures, according to the impact assessment of the NECP<sup>14</sup>, are the following:

- The modal share of cars in Cyprus is currently over 90% and, based on the plans and studies that have already been completed, a modal share of 75% cars, 13% public transport, 12% walking/ cycling can be achieved and is set as a national target for 2030.
- Approximately 11% of the passenger car fleet could be electric and 9% could be hybrid until 2030.
- Approximately 7% of the bus fleet could be electric until 2030.
- The amount of CO<sub>2</sub> emissions for road transport is expected to drop to 1681 ktCO<sub>2</sub> by

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<sup>14</sup> For more information, see Chapter 5 in the NECP report

2030, resulting in a 19.6% decrease compared to the level of 2093 kt CO<sub>2</sub> in 2017.

For all of the measures mentioned above, consultation was undertaken as part of the preparation of the NECP<sup>15</sup> as of 2018. Working groups and special meetings, including on energy and transport issues, were held with various social and economic partners, representatives of the parliament, companies and associations in the related areas, academia and the civil society. Wider public written consultation also took place and the high participation of the youth should be emphasized.

## **(b) Environment**

Solid waste treatment and management plan, sewerage systems (plant and the network) as well as tertiary treatment of water are some of the projects undertaken during the 2014 - 2020 programming period (p.p.) with the support of ESIF funding.

### **- Waste management**

The reduction of waste production and the management of waste are promoted through the Waste Prevention Program 2015-2021 and the Municipal Waste Management Strategy 2015 - 2021, with measures covering the three main policy pillars: regulatory measures to implement the separate collection of waste, measures to reduce waste in all sectors and provide incentives for the reduction and appropriate management of waste, such as the establishment of a Pay-As-You-Throw scheme, and information and awareness-raising measures to change production and consumption patterns. The aim of the measures is to implement the waste hierarchy by reducing waste generation, including by changing consumer habits, for all major waste streams and in particular food and other organic waste, and by promoting re-use and recycling, along the principles of the circular economy.

The Municipal Waste Management Strategy contains a number of significant measures for the prevention of waste, including food and other organic waste, separate collection and recycling. These include important infrastructure improvements, such as the construction of the two Mechanical Biological Treatment (MBT) plants, enabling the closure of all illegal landfills and the construction, operation and scheduled expansion of the Green Points Network; the implementation of separate collection programmes for recyclable and organic waste in coastal tourist areas; and the initiation of nation-wide training programmes. More importantly, it has provided the basis for preparation of the necessary legislative framework for the management of municipal waste by local authorities, assigning obligations for the preparation of local waste management plans and waste prevention programmes, the establishment of separate collection systems for a number of waste streams, including organic waste and the adoption of a pay-as-you-throw scheme.

The gradual implementation of the waste management policy (Municipal Waste Management Plan, National Waste Prevention Programme and the Waste Management Plans for other waste streams) has steered progress in the appropriate and more effective management of waste and will significantly contribute to fulfilling our targets. The more ambitious policies and legislation promoted under the circular economy package will provide further incentives to enhance efforts.

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<sup>15</sup> For more information, please see section 1.3.3 in the NECP report.

A series of measures are currently implemented as set out in the National Strategy for the Management of Municipal Waste and the Waste Prevention Programme 2015 - 2021, including the separate collection of municipal waste, increases in reuse and recycling rates, and reductions in the generation of various waste streams.

### **Revision of the National Strategy for the Management of Municipal Waste and Waste Prevention Programme**

As a response to the increased obligations arising from the circular economy package, the National Strategy for the Management of Municipal Waste and the Waste Prevention Programme will be revised in 2020 - 2021 with the view to determine the future planning needs, measures and actions to be implemented to meet the new requirements and quantitative targets of the circular economy package, including to further promote separate collection, to support local authorities in their new obligations, and to promote the necessary infrastructure for the recycling and treatment of waste on the basis of the principles of the circular economy. Regarding waste management infrastructure, the measures foreseen in the current Strategy will be re-assessed and revised accordingly to avoid overdependence on measures that aim to increase the number of MBT plants and the creation of structural overcapacities for the treatment of residual waste that would undermine long-term solutions along the lines of the circular economy. The revision is expected to be assigned by the European Commission, through the Structural Reform Support Programme (SRSP), to the IMPEL Network.

### **Waste management supported by ESIF**

A new solid waste plant has been completed and the capacity for the utilization of biodegradable materials is expected to reach 210,000 tons per year, by the end of the current programming period. Furthermore, in order to enhance prevention, reduction and separate collection of solid waste, a pilot project for the areas of Larnaca and Ammochostos has been implemented, with a total budget of €6.2 mln. Based on the latter, a similar project is already initiated, aiming to enhance the prevention, reduction and separate collection of solid waste in the areas of Limassol and Paphos, with a total budget of about €5 mln, whilst a programme for the prevention, separate collection and recovery of municipal waste for the mountainous areas of Cyprus is also planned. In this context, another project is currently being designed for the establishment of the pay-as-you throw system, in order to put in place, the necessary mechanisms and regulatory framework that will enhance the separate collection of solid waste in line with the “polluter pays” principle. Similarly, Green Points in Limassol, Alambra and Paphos have been completed, whereas many more are already underway.

#### **- Water management**

Aiming at the enhancement of water management, the Water and Flood Management Plans (€0.4 mln) and the Athienou Sewerage System (€11.5 mln) have been completed, whereas, the Solea Sewerage System (€21 mln) is being implemented as a Phased Project and various other sewerage projects, of about €50 mln, are being initiated. The construction of a dam in Tersephanou (€24 mln) that will be used to store recycled water from the Larnaca sewage treatment plant to irrigate cultivations in the area has been signed.

It is acknowledged that the above investments in solid waste and water management are still not sufficient to achieve full compliance with environmental regulations. The needs in this area remain enormous, requiring high budget investments. It is of utmost importance and

considered a priority for the government to continue and further support the implementation of such projects in the environment area.

### **(c) Energy Efficiency and Renewable Energy**

With reference to investments in Energy Efficiency, the Ministry of Energy, Commerce and Industry launched from 08.10.2018 until 20.12.2019 a “Support Scheme for the promotion of the utilization of Renewable Energy Sources (RES) and Energy Saving for existing houses”. The Support Scheme intended to:

1. Encourage the utilization of RES and Energy Saving for existing residential buildings that belong to natural persons;
2. Reduce energy costs for consumers;
3. Achieve the national renewable and energy efficiency targets for 2020.

The Scheme was entirely funded by the Renewable Energy Sources and Energy Conservation Fund and provided financial incentives in the form of state grants for three categories of investments as follows: Under Category 1, which covered the installation of thermal insulation on roofs of existing houses, 877 applications were received. Under Category 2, which covered the installation of thermal insulation on roofs of existing houses in combination with the installation of photovoltaic system (PV) with the net metering method, 77 applications were received. Finally, under Category 3, for the installation of a photovoltaic system with the net metering method for existing houses, 3616 applications were received, out of which 739 concerned energy vulnerable consumers.

For 2020 the Renewable Energy Sources and Energy Conservation Fund plans to relaunch the Scheme mentioned above. It will also relaunch a Scheme which was last effective in 2018 that will cover the installation or replacement of Hot Water Solar Systems of existing houses. Within 2020, the Fund also plans to launch a Scheme for large scale RES and energy conservation investments by general government entities, and also, a Scheme which will subsidize the charging of electric cars from PV systems.

### **(d) Digitalisation**

It is widely accepted that digital transformation will play an important role for the enhancement of competitiveness and the modernization of the Cyprus economy whereas digitalisation is expected to contribute substantially to economic growth and productivity. Investing in the digital economy and in improving works' force digital skills is essential for bolstering productivity.

#### **- Digital Strategy**

Therefore, a new National Digital Strategy is under development which will have a horizontal approach to accelerate digital transformation of the country and set the vision and objectives for the next decade. The tender was procured in March 2019, with the objective of drafting a renewed national digital strategy around public interventions that would achieve the digital transformation of the public sector, the promotion of the digital transformation of the private sector, and the promotion of innovation, while paying due consideration to Cyprus' digital maturity and the introduction to the public and private sector of niche technologies such as Artificial Intelligence, Blockchain, Internet of Things etc. The above project is under implementation as of October 2019 and will be completed by mid of 2020.

Also, in June 2019 the CoM approved the national strategy for Blockchain (see sub-section below) and in January 2020, the national strategy for Artificial Intelligence (AI).

In the meantime, several actions were implemented during 2019.

#### - Digital Skills

Workshops and training programs were provided to citizens free of charge for the learning of eGovernment systems, as referred to in Section 3.1.5, and the acquisition of basic digital skills. The main goal was the general public to benefit regardless of their place of residence, age and education. These workshops and training programs are implemented by the Cyprus Productivity Centre in cooperation with the DEC since September 2017 and they are funded by national funds.

Additionally, as certification is considered as one of the most important objectives of the Digital Strategy, the introduction of ECDL certification program to students of Secondary Education has been implemented with high rate of success. This program is offered free of charge to all students, on a voluntary basis. The above intervention is running since 2017 by the MoECSY and it is funded by national funds. In December 2019 a new contract was signed for implementing the above intervention for an additional three years.

Moreover, the DEC with the cooperation of the MoECSY has promoted a number of actions involving the integration and the introduction of digital technologies into teaching methods as well as the education of students and teachers:

- A pilot program was implemented in February 2019, in which 250 tablets were offered to primary and secondary schools to be used during teaching hours and homework. This program was decided to be extended for 2020 with additional 500 tablets.
- A digital governance program was introduced for 2020 where 2700 tablets were given to school teachers in order to assist them in the School Management System project concerning every day activities within their schools, primary and secondary.
- During 2019 nine primary schools and another one in 2020 were declared as STEM schools, on an experimental basis, where STEM equipment was purchased for practicing STEM activities and projects.
- A Teacher Program for the Development of Digital Technologies was introduced during 2018 and 2019 by the Pedagogical Institute for the training of teachers for the use of digital technologies in classrooms. This will be under implementation in 2020.
- A lesson has been introduced for the teaching of digital technologies in primary schools, whilst the introduction of robotics in secondary schools (205 robots acquired in 2018 and another 200 in 2019) is expected to promote digital skills among young people further.

The HRDA of Cyprus <sup>16</sup>promotes the acquisition of digital skills through various actions that improve and update the knowledge and skills of companies' employees on ICT issues. Among others, they include single and multi-company training programmes. Additionally, ICT classes are provided to the public, through the Adult Education Centres within the framework of providing lifelong learning opportunities.

Cyprus participated in the 2019 EU Code Week. Cyprus organised twice more activities (72 activities) than in 2018 and attracted 6,772 participants. The share between men and women

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<sup>16</sup> [http://www.cea.org.cy/en/we\\_qualify/anad](http://www.cea.org.cy/en/we_qualify/anad)

was balanced, with 49% women participants, while the majority of the activities were held in schools (93%).

The Department of Labour Relations (DLR) engages in activities contributing to raising public awareness on the gender pay gap (including in ICT) and its detrimental consequences on women's economic and social life.

The Cypriot National Coalition for Digital Skills and Jobs engages in digital skills development, including industry, employer's associations and labour unions and representatives of the education sector. The Coalition's action plan ran until the end of 2019 aiming to promote the diffusion and the improvement of digital skills in order to address the anticipated future mismatch between ICT professionals and work force vacancies. The Digital Champion for Cyprus<sup>17</sup> in close cooperation with the DEC<sup>18</sup> are in the process of renewing the action plan of the Coalition. The renewed action plan will incorporate actions proposed by its stakeholders (private and public institutions, ICT companies, and academia) in the fields of education, certification and awareness, aiming to promote digital skills in all population.

Taking into consideration the various obstacles, difficulties and challenges faced by women in their effort to enter and become familiar with the digital technology world, several actions have been included in the third "Action Plan on Gender Equality 2019 - 2023" that aims to tackle the issue by focusing on the education and training of Women in Information and Communication Technologies. Through several actions, the plan will increase the number of women in the field of computer studies to develop their professional technological skills. Furthermore, under the thematic area "Eradication of Stereotypes and Social Prejudices" several actions aim at encouraging the increase of female participation in technical directions. In this regard, the Minister for Transport, Communication and Works, among other European Ministers, signed on 05.04.2019 the Declaration on the "Commitment on Women in Digital Technology" and provided to the European Commission information on relevant actions implemented and promoted at national level.

#### - **Broadband Infrastructure**

DEC is in the process of drafting a new National Broadband Plan for the period 2021-2025 which will focus on expanding ultra-high speed networks coverage and demand by utilizing EU funding and other sources.

Meanwhile, measures to stimulate demand continue as part of the 2019-2020 national broadband plan. The "Pilot" Voucher Scheme was expanded for a year so that more citizens will be able to benefit from the scheme, aimed to subsidize ultrafast broadband connections (minimum 100Mbps download speed). The main objective of this program is to increase the demand while encouraging the market for investment in ultrafast networks, a goal that is fully in line with the Digital Agenda 2020, EU's Communication "Gigabit Society" and the National Broadband Plan. The voucher value will correspond to 30% of the monthly cost for 12 months with a maximum of €30 per month. The total amount to be granted per operator over the duration of the program will not exceed the de Minimis rule (i.e. €200,000). The pilot scheme will end in November 2021.

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<sup>17</sup> <https://ec.europa.eu/digital-single-market/en/digital-champions>.

<sup>18</sup> Now incorporated into the new Deputy Ministry for Research, Innovation and Digital Policy.

## - **Digital Entrepreneurship**

A new Scheme for enhancing the integration of digital technology in SMEs was launched in December 2019 by the MECI. The main objectives of the call are to enhance the digital identity of business, increase the amount of SMEs that use ICT including the e-commerce sector and the promotion of digital entrepreneurship. Beneficiaries of the scheme are existing SMEs that will invest in implementing digital upgrade technologies (including e-commerce) and new SMEs whose investment proposal will concern e-commerce /shop. The grant is given as a percentage on the entire eligible investment (50%) with a maximum grant of € 25,000 per enterprise for manufacturing activities and € 20,000 for other business activities. 509 applications were submitted electronically and the evaluation will be based on a first come first served principle. The available budget of the call is €6 mln.

## - **National Strategy on Decentralized Ledger Technologies (Blockchain)**

Cyprus, together with 25 other Member States, signed the Declaration for Cooperation on a European Blockchain Partnership (EBP). Furthermore, an Ad Hoc Working Group was established by decision of the Council of Ministers in August 2018 with the mandate to evaluate the environment and possible risks and define a national plan for the development of blockchain technology in Cyprus.

As a result, a National Strategy on Decentralized Ledger Technologies and Blockchain was approved on 18<sup>th</sup> of June 2019 by the Council of Ministers. The main pillars of the National Strategy are the preparation of a legislative framework and the implementation of pilot cases for both the public sector and the financial sector. The legislative framework will take into account the European Parliament resolution of October 2018 and will be based on European principles, technology neutrality, promoting innovation so that the private and public sectors can work together effectively and develop successful applications.

Cyprus, also signed in October 2019 together with 6 other Mediterranean Countries (France, Italy, Portugal, Greece, Malta and Spain), under the framework of MED 7 cooperation, a MoU. In the context of the MoU, MED 7 countries are committing to consider providing each other with details of successful initiatives and platforms involving the use of Distributed Ledger Technologies in their respective public administrations.

## **(e) Research and Innovation (R&I)**

Recognizing that R&I is one of the main drivers for economic growth and an important factor in addressing global societal challenges, as well as the fact that the area of R&I is lagging behind in Cyprus, as also highlighted by the Commission in its Country Reports for Cyprus, the government is making substantial efforts to increase its R&D spending and set more ambitious targets for the future (last account was 0.55% of GDP in 2018 – provisional data – exceeding the national EU 2020 target of 0.50%). However, achieving more ambitious targets depends on various factors, such as the capacity of the Research community and businesses to absorb the increase in R&D funding, the impact on the Cypriot economy of the COVID-19 crisis etc.

The Minister of Finance has decided to further support R&I in Cyprus, by providing additional funding to the RIF for existing and new R&I programmes and as a bridge between the current and the next programming period.

More specifically, the efforts towards increasing R&I spending lie within:

- The adoption of a new R&I governance system, as already mentioned in section 3.1.5, which reflects the necessity to draft and implement an ambitious national strategy for R&I. Further to the DMRID established in March 2020, as the competent Government Service for R&I, the new governance system also includes: (i) the National Board for Research and Innovation (NBRI), as the principal advisory body for the development of a national R&I strategy and (ii) the Chief Scientist.
- The new Strategy Framework for Research and Innovation 2019-2023 “Innovate Cyprus”, prepared by the NBRI and entered into force in May 2019, serves as the main vehicle for the implementation of the national R&I Strategy. It sets out ambitious targets as regards R&D expenditure and defines appropriate fields of action to support the achievement of national objectives.
- The existing Smart Specialisation Strategy of Cyprus (S3CY), covering the period 2016-20, which is supported by an action plan for R&I, with a total budget of approximately €144 mln. It includes targeted support to R&I in sectors where Cyprus has a competitive advantage (such as Tourism, Energy, Transport-Marine, Agriculture-Food Industry, and Health). The majority of the schemes, which are implemented by RIF through the RESTART 2016-2020 Framework Programme for Research, Technological development and Innovation, seek to stimulate the involvement of the private sector in R&I activities and to foster academia-business cooperation. It offers ample opportunities to all stakeholders to establish consortia for the implementation of projects with priority in targeted sectors, such as energy, environment and digitalization. RESTART 2016-20, consists of 25 Programmes. It has a total budget of around €117 mln and is co-funded by the European Regional Development Fund (ERDF). Implementation of the schemes was rather slow until 2018, but in 2019 and 2020 it has started to accelerate. Regarding the evaluation of the schemes under the Action Plan, the RIF is currently conducting an Interim Evaluation<sup>19</sup> of all programmes under RESTART, focusing on their effectiveness, efficiency and socio-economic impact.
- The update of S3CY, in the context of the preparations for the next programming period 2021-27. It will be based on national priorities, on relevant European Commission recommendations and on the results of the SRSS study for Cyprus ‘Developing a long- term economic strategy for Cyprus – towards sustainable growth and international competitiveness’. The Monitoring and Evaluation Committee for S3CY, chaired by the DMRID, will discuss, inter alia, ways to involve more key stakeholders in the process and measures to facilitate the absorption of S3CY dedicated funds.
- The successful participation of Cyprus entities in Horizon 2020. Cyprus entities have managed to secure, so far, around €229 mln from H2020 with 655 participations in 494 projects (signed grants). Cyprus success rate of 13.18% is above the EU average of 11.87%. SME Net EU contribution of approximately €72 mln (243 SME participations) corresponds to 31.35% of the country total. The RIF facilitates, supports and promotes the participation of Cypriot entities in H2020, in the context of the operations of the National Contact Points network and the overall coordination of the National Programme Committee members. It also participates in several projects of H2020, securing up to now approximately €4.7 mln. Also, at the DMRID, discussions are taking place, in cooperation with the RIF, regarding the promotion of Horizon Europe to Cypriot entities, for the next period 2021-27.

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<sup>19</sup> Study by Technopolis Belgium



- The support of the six Centres of Excellence in Cyprus, which have secured funding through the Strengthening Excellence and Widening Participation Programme of H2020, specifically the Teaming Action. In addition to H2020 funding (€15 mln) and other funding from various stakeholders of the public and private sector, the six Centres will be supported by €15 mln each from the Government Budget, for a period of 15 years. It is expected that the creation/upgrading of these Centres will leverage private investments, foster innovation and promote academia-business cooperation in the respective fields, thus contributing to socio-economic growth and competitiveness of Cyprus. The six Centres of Excellence are:
  - KIOS Research and Innovation Centre of Excellence – coordinator: University of Cyprus.
  - Research Centre on Interactive Media, Smart Systems and Emerging Technologies (RISE) – coordinator: Municipality of Nicosia.
  - Marine and Maritime Research, Innovation, Technology Centre of Excellence (MARITEC-X) – coordinator: Municipality of Larnaka.
  - Eastern Mediterranean and Middle East – Climate and Atmosphere Research Centre (EMME-CARE) – coordinator: Cyprus Institute.
  - Biobanking and the Cyprus Human Genome Project (CY-BIOBANK) – coordinator: University of Cyprus.
  - Excellence Research Centre for Earth Surveillance and Space-based Monitoring of the Environment (ERATOSTHENES) – coordinator: Cyprus University of Technology.
- The Start-up visa scheme that was updated in March 2019 and is valid for the next two years. It aims to attract start-ups from non-EU countries to relocate in Cyprus and enhance the start-up ecosystem.
- The law allowing universities to create spin-offs that was adopted in 2018. The House of Representatives approved a revision of the legislation governing the operation of the two main public universities (University of Cyprus and the Cyprus University of Technology) with the aim to allow public universities to utilize and exploit their scientific know how and their research findings for the benefit of the economy and the society at large.
- The recommendations of an expert panel appointed by the H2020 Policy Support Facility on the ‘Optimal utilization of research laboratories of organisations funded by the Government by the business community’. The recommendations will be used as a basis for the development of an action plan on the optimal utilization of public research laboratories by the business community. The action plan will aim to enhance the collaboration between public research bodies and the business sector, foster knowledge transfer and business innovation. The final report of the expert panel will be published in April 2020.
- The establishment of a central Knowledge Transfer Office (KTO), being developed by the RIF. While expecting the Ministry of Finance approval for the KTO 5-year operation budget, some initial funds have been mobilized by the RIF through the European Commission’s IP Booster tool to kick-start KTO activity services for RPOs. Regarding the process for selecting the KTO Director, as well as other activities requiring significant budget (i.e. the procurement of expert services to support the KTO during the first 2 years) the RIF has proceeded with all preparatory action and is waiting for the budget approval by Ministry of Finance. The KTO manager will most probably come from the international landscape and will be employed on a contract basis.

The amendments introduced in the Cyprus Investment Programme in 2019, as outlined in Section 3.1.6 of the NRP, also contribute to enhance investments in R&I and other areas that serve to competitiveness and sustainable growth.

### **3.4.2. Facilitating Investment**

Acknowledging that investment is a key contributor to growth Cyprus decided to develop a comprehensive strategy to promote investments and establish the necessary legal framework for facilitating strategic investments.

After withdrawing a Bill pending before Parliament since November 2017, setting out a new procedural and legal framework for facilitating major investments, including the set-up of a fast track mechanism, the MoI prepared an amended Bill providing amongst others for the relevant competency to be transferred under the MoI. The new Investment Facilitation Draft Law was approved by the Council of Ministers in October 2019 and submitted to the HoR for voting early in December 2019. The first reading of the bill was held in mid-January 2020 at the Parliamentary Committee of Internal Affairs.

The new bill provides for the establishment of Strategic Investments Directorate at the Department of Planning and Housing of the MoI, which will be comprised of the Project Management Office for the process of defining an investment as a Strategic one and the Permitting Office for the process of permitting the Strategic Investment. The Director of the Department of Town Planning and Housing will also serve, according to the bill, as the Head of the Strategic Investment Directorate.

At the moment, the Bill is still pending before the parliament, while the MoI is preparing the employee service plans for staffing the Strategic Investments Directorate.

### **3.4.3. Improving access to finance for small and medium sized enterprises**

The 2020 Country Report for Cyprus notes that access to finance for SMEs is improving but still challenging. Acknowledging the limitations in bank credit supply, given amongst others the still high NPLs level, the Government continues its efforts aiming at introducing alternative types of financial support for SMEs. Particular emphasis is also placed on improving the management and hence the effectiveness, of financial instruments supported by national and EU funds. Increasing awareness on available funding is an ongoing process, especially via seminars and info provided through the DG EPCD's Funding Programmes Portal.

#### **(a) Measures supported by ESIF**

During the economic crisis that erupted at the beginning of the last decade, financial schemes designed by the European Investment Bank (EIB) and implemented through the use of EU Structural Funds have been a key factor for the survival and the expansion of many Cypriot enterprises. The Government continues its efforts, during the 2014-2020 p.p., aiming at introducing more and new types of financial support for SMEs with the utilization of available resources from the European Structural and Investment Funds (ESIF).

## - **Management of Financial Instruments**

The ex-ante assessment study<sup>20</sup> for the use of financial engineering instruments has identified substantial financing gaps in the areas of SMEs and energy. It has recommended the creation of a guarantee instrument or a small scale co-investment (equity) instrument for SMEs and a dedicated loan instrument for energy efficiency and renewable energy projects (more on progress in Section 4). The study also proposed three possible governance options for the management of financial instruments which were further assessed in the context of a project supported by DG REFORM, as regards the implementation and management of new financial instruments, including in the post 2020 period. Some of the results and recommendations of the project, gradually delivered to the Cypriot Authorities within 2019, have already been taken into account in the introduction of new tools supported by ESIF, as described below.

## - **New instrument for energy efficiency and RES**

The use of financial instruments is also promoted in the context of the Operational Programme “Competitiveness and Sustainable Development 2014-2020” with an amount of €40 mln earmarked for this purpose, which is twice as much as the amount delivered in the 2007-2013 period. Based on the results of the above mentioned ex-ante assessment, it has been decided that a single loan instrument will be created in order to support projects in the fields of energy efficiency and renewable energy sources, both for the public and private sector (households and enterprises). The management of the financial instrument (and the respective fund) has been assigned to the EIB in December 2018, and deliberations for its deployment are currently underway. Specifically, the Call for Expression of Interest on behalf of the Financial Intermediaries - through which the instrument will be implemented on the ground – has been launched in November 2019 and ended in February 2020. The EIB is currently evaluating the proposals submitted and it is expected that within 2020 the selected Financial Intermediaries will have the instrument available to the final recipients.

## - **Advisory services - Advice for Small Business Facility**

The EBRD “Advice for small business facility” program, with a total budget of €2.15 mln co-financed by the European Regional Development Fund (ERDF) and the Cypriot government, is still in progress. The program aims to promote the sustainable growth of small businesses in Cyprus, through tailor made advisory services and other non-financial support for improving their competitiveness, strengthening their overall performance, including their export activity, and boosting their growth. The programme also aims to improve the financial literacy of SMEs and strengthen their capacity to access appropriate and available funding.

The program includes a series of tools addressing the needs of SMEs consisting of:

- Business Advisory Services to SMEs by engaging local consultants - up to May 2019, 91 received advisory services in various sectors.
- International Advisory Projects by selected international trade experts - up to today 7 enterprises received relevant support by selected international consultants.
- Business Clinics Facility to support start-ups and early stage enterprises with viable business ideas and business plans - 30 companies have already participated.

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<sup>20</sup> Study financed in the context of the Operational Program “Competitiveness and Sustainable Growth”, - final report was submitted in July 2017 ([https://www.structuralfunds.org.cy/uploadfiles/20170728\\_CY\\_Final\\_Report.pdf](https://www.structuralfunds.org.cy/uploadfiles/20170728_CY_Final_Report.pdf)).

- Trainings for local SMEs and consultants by the EBRD to build the capacity of local consultants and local SMEs - more than 200 SMEs participated to the training sessions that took place up to the end of 2019.

#### - **Grants**

The MECI implements various measures and schemes aimed to improve the competitiveness of SMEs and to create new job positions. These measures aim at improving the access to finance for SMEs and enhancing the entrepreneurial activity. They are in line with the priorities set under the National Policy Statement on Entrepreneurship, the principles of smart specialisation and the targets set at European level through the Europe 2020 Strategy. Some of the main measures promoted by the MECI are addressing the following areas: Entrepreneurship – Women and the Youth, Enhancing the competitiveness of SMEs, Digital upgrade of enterprises, Clusters.

#### **(b) Measures supported by national funds**

##### - **Equity Fund**

The 2017 ex-ante assessment identified several financing gaps in Cyprus, including an estimated gap of €35 mln for equity investments for SMEs. This clearly demonstrates that the equity finance market has been gradually maturing in Cyprus during the last years and that Cypriot enterprises are more willing now to give out part of their equity share in return for financing. Equity finance can be a valuable alternative source to traditional bank lending for high-risk enterprises, innovative companies and start-ups with great potential, thus contributing to the development and diversification of the economy, ultimately leading to the creation of jobs and the improvement of the economy as a whole.

In view of the above, the establishment of a new instrument, which will provide capital funding for SMEs, thus supporting the private sector and further boosting the Cypriot economy was decided by the government, following also a recommendation by the Cyprus Economy and Competitiveness Council. In August 2019, the CoM decided on the establishment of a publicly funded equity fund (thereafter called the “Fund”) in Cyprus, in the form of Regulated Alternative Investment Fund. The State will initially provide €20 mln capital to the Fund with the possibility of attracting private co-investors, either at the level of the Fund or at the level of each investment separately.

The purpose of the Fund is to offer alternative financing opportunities to the private sector: SMEs, start-ups, technology and innovation companies etc., thus boosting the competitiveness of our enterprises and enhancing growth and development.

In light of the above, the Ministry of Finance is now launching a call for tenders to select a Fund Manager that will establish and manage the Fund in Cyprus. The selected Fund Manager will be in charge of setting up the Fund. The Fund will provide an Investment Mandate to the Fund Manager, who will be in charge of investing and managing the portfolio of the Fund in line with the Fund's investment strategy.

## - **Cyprus Entrepreneurship Fund**

The Cyprus Entrepreneurship Fund (CYPEF) has supported both working capital and investment loans to SMEs. According to the latest figures (Feb 2020), the loans disbursed via CYPEF to SMEs reached the amount of €131 mln (i.e. 94% of the committed total loan portfolio).

## - **Tax relief for investments in innovative SMEs**

The amended Income Tax Law N135(I)/2016, established a framework of incentives effective from January 2017 until the end of 2020 through tax relief to individuals who invest in innovative SMEs, including start-ups, either directly or through an investment fund. The incentives provide for the following: exemption of the investment from the investor's taxable income (up to a maximum amount of 50% of the taxable income); deduction of up to €150,000 per year as well as the right of allocation and distribution of the discount in a 5 (five) year period, and investment in shares, loans, or granting guarantees to innovative companies.

The measure was promoted in the context of the Policy Statement on the Enhancement of the Entrepreneurship in Cyprus (see Section 3.4.5 (c)) with the view to support business innovation and also support the efforts of young scientists and the startup community. It is expected to contribute to enhanced access to finance (mainly equity funding) for new and innovative enterprises which face increased difficulties accessing bank lending due to the high risk of their operations (risk-finance investments). From 2017 until December 2019, seventy-three (73) applications have been received in total, out of which 6 are pending for evaluation and 39 have been approved (i.e. certified as innovative SMEs). Fifty-seven (57) taxpayers stated that they have invested in (certified) innovative companies, while only 44 claimed for a deduction for 2017 (for a total of €0.1mln tax expenditure)

An amending tax bill is pending before the Parliament, as of January 2020, aiming to extend the existing regime until 30.6.2021 and provide for a simplified framework for the above scheme which will operate, after its approval, by the new Deputy Ministry in the area of R&I.

## **(c) Investment funds**

The establishment of a modern and competitive legal and regulatory framework regarding the industry of collective investment funds in Cyprus remains a priority. In order to keep pace with developments and specialize and upgrade the current regulatory framework, developed from 2010 onwards, with the view to bring it in line with the best European and international practice for collective investment funds, the following legal changes have been promoted in order to introduce new features and specialization for the collective investment schemes in Cyprus:

- A new law on Alternative Investment Funds (Law 128/2018) was enacted in July 2018, replacing previous legislation of 2014 and aiming at: the introduction of Registered Alternative Investment Fund (RAIF), whose supervision will be done through the AIF Managers Directive; the introduction of limited partnerships with legal personality as an alternative investment fund vehicle (proved to be a versatile and successful vehicle for funds in Europe); the introduction of arrangements for the establishment of Variable Capital Company under the Companies Law (expected to enhance the versatility of the limited company as a corporate vehicle for open ended funds).

- A draft Law was submitted to Parliament in October 2019, aiming for the introduction of licensed and regulated mini-managers, for the fund managers below the AIF Managers Directive thresholds. The draft Law aims also at providing specialisation for below the threshold managers under an appropriate and proportionate regulatory regime. The discussion at the relevant Parliamentary Committee has been completed.

#### **(d) Crowdfunding**

Acknowledging that crowdfunding can serve as an alternative tool to bank financing, hence further facilitate and enhance SMEs access to finance, the Cyprus Securities and Exchange Commission (CySEC) has issued a Crowdfunding Directive relating to investment-based crowdfunding through transferable securities. This concerns a set of secondary rules for complementary obligations, including but not limited to: conduct of business rules; management of conflict of interests; holding clients' money and financial instruments and product governance. This set of rules is expected to be replaced by CySEC once the European Crowdfunding Service Providers (ECSP) Regulation is issued by the EU. Relevant agreement by the co-legislators has been reached in December 2019.

#### **(e) Measures supported by other EU sources**

##### **- EIB direct lending/Government guarantee scheme**

Recognizing the success of the EIB Scheme, on 29 November 2017, the CoM approved the increase of the state guarantee from €750 mln to €1bln, thus supporting the continuation of the EIB scheme in the future.

Until February 2020, 8 Cypriot banks signed 24 different Loan Agreements with EIB amounting to €930 mln in total, leading to €670 mln allocated by the banks to beneficiaries (SMEs and MidCaps) resulting in around 510 new investment projects.

##### **- European Fund for Strategic Investments (EFSI)**

Between December 2016 and June 2017, the European Investment Fund (EIF) has signed two EFSI agreements of a total €10 mln each, with two commercial banks under the InnovFin SME Guarantee Facility of the Horizon 2020 Programme for R&I. A third counterpart is currently under appraisal by the EIF. Regarding the first two agreements, under which the two intermediary banks provide attractive loans to innovative SMEs and mid-caps, up to now, loan contracts for an amount of around €9.7 mln have been signed with eligible beneficiaries.

#### **(f) Competitive Programmes**

As per the Annual Financial Reports of the European Commission, the amount of €253.3 mln was allocated to Cypriot beneficiaries participating in EU Competitive Programmes during the first five years of the current programming period and up to 2018, while it is expected that Cyprus will reach the target of absorbing around €300 mln for the whole 2014-2020 period. The majority of these funds relate to the Horizon 2020 (€121.3 mln) and the Erasmus+ (€51 mln) Programmes. Part of the allocation from the H2020 resources is directed towards the entrepreneurial community, either through the participation of the SMEs in funded projects or through the financing of R&D activities with commercialization potentials.

Several information and promotional events are undertaken by the competent Authorities in order to enhance awareness and participation of national beneficiaries in these programmes and, consequently, increase the absorption of EU funds by Cypriot beneficiaries, including SMEs. The DG EPCD carried out three 2-day sessions of seminars/workshops in 2019, with the aim of strengthening the capacity of the participating organizations in terms of preparation of an idea/project proposal and completion/submission of the relevant application form. The DG EPCD also participated at the Open Day Fair organized by the National Contact Point of the LIFE Programme in Cyprus, in June 2019, in order to raise awareness to the public regarding the various and different funding opportunities from EU Funds, including for the SMEs.

#### **3.4.4. Resume the implementation of privatisation projects**

The Government still considers privatisations as an important structural reform for the modernization of the public sector. It remains committed to continue the efforts in order to implement the privatization plan which constitutes an opportunity to attract investments, enhance competitiveness, support growth and job creation and create an efficient economy.

The CoM declared entities and assets as subject to privatisation by virtue of the Regulation of Privatisations Issues Law. On the basis of decrees issued by the Council of Ministers, assets under exploitation are: Limassol Port (privatisation completed in 2017), Larnaca Port and Marina, Ayia Napa and Paphos Marinas, Casino thematic resort, National Lottery activities, specific state assets in Troodos area, and the Telecoms Company.

A small number of privatisation projects are currently in the pipeline, such as the National Lottery, Troodos Residences, Larnaca Port, and the Cyprus Telecommunications Authority (CYTA). In addition, although not included in the aforementioned decrees, solutions for the transformation and development of the Cyprus Stock Exchange (CSE) are currently being processed.

The progress achieved so far on projects currently in the pipeline is summarised as follows:

##### **- National Lottery's activities**

The activities of the National Lottery, as well as any relevant asset belonging to the State which is used exclusively for the conduct of the operations of the National Lottery, have been declared as an asset subject to privatization. On the basis of the relevant recommendations of the appointed advisors, the Council of Ministers decided the licensing of the activities of National for a period of 15 years, to include the current National Lottery products and the addition of e-instants.

The revised bill providing for the regulation of the exclusive licensing of National Lottery games and relevant matters, was submitted to the House of Representatives for deliberation since 2017. It will then be submitted to the European Commission to ensure its compatibility with the EU acquis.

The launch of the process for the selection of a licensee depends on the duration of the above-described steps, whose exact duration is outside the control of the Government. A draft License agreement has been prepared and is subject to finalization. There is some momentum to push forward the implementation of this project, although there are certain issues to be resolved related to the abolition of the Privatisation Law.

#### - **Troodos assets**

Nearly 200 Troodos assets owned by the State have been declared as assets subject to privatisation. The decree provides that these assets will be exploited through a long-term lease and/or license and/or right to use/exploit, and that the extent and structure will be determined specifically at a later stage.

In May 2017, the appointed advisors submitted their draft preparatory work, analysis and recommendations for the exploitation of the Troodos assets with potential private sector participation. The final conclusions and recommendations of this deliverable will be used by the Interministerial Committee for Privatisations to approve/reject the identified exploitation options of the real estate assets which will be deemed available and attractive.

The Lease Agreement was submitted to the Law Office for legal vetting in 2017 however, due to the abolition of the Privatisation Law, the legal status of the Agreement has to change and needs to be resubmitted to the Law Office. In addition, other issues of legal nature are still pending which concern leasing contracts formulated in the past in relation to assets subject to privatisation.

#### - **Larnaca Port and Marina**

The process for the privatization and re-development of the Port of Larnaca, the second largest on the island, is at the stage where the negotiations with the strategic investor have been completed and agreement has been reached on the economic and financial aspect of the deal as well as the legal part. The agreement has been submitted to the Law Office for legal vetting. Following the completion of the legal vetting the agreement will be finalized and signed.

#### - **Cyprus Telecommunications Authority**

Although no consensus has been reached at the level of the HoR for the privatization of Cyprus Telecommunications Authority (CYTA), the state-owned telecoms utility, a new proposal has been drafted in the form of a bill and relevant regulations, with the aim to implement the corporatization of CYTA, as a necessary first step towards a partial privatization.

The draft Bill and regulations, before the HoR since 2017, provide for majority ownership of CYTA by the State and respect of the employment status and rights of the current employees while, in parallel, creating the conditions for the attraction of a strategic investor through equity participation and the assumption of management control of the company, which is considered necessary in order to maintain the value and business prospects of CYTA.

#### - **Cyprus Stock Exchange**

In an effort to seek solutions for the transformation and development of the Cyprus Stock Exchange (CSE), the Ministry of Finance has launched an open competition appointed to the ACL Consortium, which prepared a study identifying, analysing and evaluating the universe of all Feasible Strategic Options for the CSE. The Consortium recommended the privatisation of the CSE as the preferred option.



The MoF currently is evaluating the different strategic options to identify the most feasible and advantageous to the State and will prepare a proposal to the CoM with the preferred option. The development of the CSE will provide SMEs with an alternative source of financing through equity finance, especially those SMEs that find it difficult to have access to bank lending.

### **3.4.5. Other policies and measures as regards investment focus**

#### **(a) Circular Economy**

The MECI in the framework of the implementation of the Industrial Policy (see following sub-section) is proceeding with the preparation of a study regarding the enhancement of the Circular Economy in Cyprus. The study will include a mapping of the current situation, presentation of the obstacles and opportunities arising from the exploitation of the circular economy for Cypriot companies as well as a concrete action plan towards this direction. The study is expected to be completed by the end of 2020 and will be the base for the adoption of actions regarding several aspects of circular economy such as culture, effective motivation measures for investments in this area and creation of relevant infrastructure.

#### **(b) Industrial Policy**

In the context of its broader role in the development of the economy, the MECI recognized the need to revive and modernize the industrial sector in Cyprus. In this context, the Ministry proceeded with the preparation of an integrated national industrial strategy for the 2019-2030 period, accompanied by an initial medium-term action plan. The Strategy was adopted by the CoM on May 2019. The objective of the Government is to establish a robust, intelligent and technologically developed industry that will contribute to the development and competitiveness of the economy and the welfare of its citizens through the Development of innovative products and high value-added services.

The new industrial strategy includes strategic actions in the areas of:

1. Resolvent of industry's structural problems.
2. Infrastructure for Sustainable development/ Sustainable Production.
3. Digitalization of Industry.
4. Development of new skills and enhancement of existing skills.
5. Improvement of Industrial/Business Environment.
6. Enhancement of Access to Finance.
7. Enhancement/facilitation of Access to Markets/Extraversion, Commerce, Investment.

The Ministry is already proceeding with the implementation of the 1<sup>st</sup> action plan of the strategy for the 2019-2022 period.

#### **(c) Entrepreneurship**

As noted in the 2020 Country Report for Cyprus, progress has been made regarding strengthening entrepreneurship in the country. This is expected to improve further in the future, amongst others, as an impact of the implementation of the actions promoted under the National Policy Statement for the Enhancement of Entrepreneurship in Cyprus, which is expected to be more dynamic and substantial in the long run. It is recalled that the Policy Statement that has been implemented since 2015 focuses on five key priority pillars:

- i. cultivation of an entrepreneurial culture,
- ii. improvement of the business environment,
- iii. enhancement of entrepreneurial innovation,
- iv. facilitation of access to finance, and
- v. improvement of access to markets.

So far out of the 88 concrete actions included in the Policy Statement, with an implementation horizon up to 2020, 82% are fully implemented. By completing the fourth year of implementation of the Policy Statement, it is particularly encouraging that there is a continuous dynamic in the development and cultivation of entrepreneurship culture by the majority of stakeholders, both in the public and private sector.

#### **(d) Facilitating and Promoting Export Performance**

Within its efforts to enhance the internationalization of Cypriot companies the Trade Service of the MECI, promotes products and services abroad through a series of actions which include financial assistance schemes under the “De Minimis Rule” for participation in Trade Fairs and market research abroad, advertising promotional campaigns, organization of business forums and trade missions, tasting events in target markets, publication of advertorial in specialized magazines and digital media and visits of journalists and business people to Cyprus.

Furthermore, the Trade Service supports the export oriented companies through the activities of its Export Helpdesk and its Trade Centres abroad. The Trade Service has also been recently involved together with other Cypriot Authorities, in the drafting of new legislation regarding the branding of Cyprus agricultural products.

The Trade Promotion Section of the MECI was recently restructured, taking into account the relevant recommendations of a study on export facilitation undertaken in 2016 with the support of DG REFORM, by reorganizing the staff according to geographical areas and areas of specialization with the aim to better tackle the promotion of the products and services of Cyprus. It is expected that in the long term this will have a general positive impact on the promotion of products and services and will lead to a further increase in the exports of domestic goods and services.

In order to offer more specialized aid/services to Cypriot exporters, the Trade Service examines ways for improving the effectiveness of the Export Helpdesk and is also refocusing and streamlining the functions of Trade Centres as well as strengthening economic diplomacy channels with the Embassies.

The “Advice for Small Business Facility” implemented with the support of ESIF, on the basis of an agreement signed in May 2017 between MECI and EBRD, also serves, amongst others, to the enhancement of the internationalization of Cypriot SMEs (see Section 3.4.3(a)).

Following a functional review of the organisation of the Ministry of Foreign Affairs (MFA) in October 2016, economic diplomacy was identified as a key policy priority, also in line with the findings of the aforementioned study on export facilitation. As a result, a new, senior level position at the Ministry, namely, the Head of Economic Diplomacy (HED) was created. The mandate of the HED includes creating an “economic diplomacy culture” at the MFA, engaging with relevant economic and financial stakeholders in Cyprus, in the public, private

and other sectors, and acting as the main coordinator between these actors and the Diplomatic Missions of Cyprus abroad. Following these developments, a study for the development of a strategy and action plans to be followed and implemented by the authorities in order to meet the objectives of economic diplomacy including on trade promotion and attraction of investment, is being carried out through technical support from SRSS. This also includes training to MFA staff and other Government authorities, to develop the skills required with a view to maximising the impact of the overall economic diplomacy efforts.

#### **(e) Towards the sustainable growth of the shipping sector**

The sustainable growth of Cyprus shipping is of high importance as it offers enormous economic and social benefits to the country. Cyprus has more than 50 years of success in merchant shipping, initially by establishing in 1963 the Cyprus Ship Register, which now ranks 11<sup>th</sup> in the world and 3<sup>rd</sup> in the EU (after Malta and Greece), and by ultimately building a maritime cluster consisting of third party ship management companies and other related shipping services. Cyprus is considered to be the largest third party ship management centre of Europe and among the top 5 in the world. In the last few years, Cyprus witnesses a significant expansion of its maritime cluster, both in number of entities and in diversity of shipping activities. Through the years, Cyprus has managed to develop its merchant shipping and to contribute to the economic development of the Republic of Cyprus and shipping is today a vital sector of the Cyprus economy.

Within the framework of the current relevant national strategic objective of further enhancing the competitiveness of the Cyprus merchant shipping and strengthening of the maritime safety, main activities include: (a) the revision of the national policy framework, (b) the adoption of measures to further develop the Cyprus ship registry and the maritime cluster in Cyprus and (c) the restructuring of the maritime administration.

With regards to the latter above, the restructuring of the newly established SDM<sup>21</sup> is an on-going process which started in mid-2018 and will continue during 2020. The ultimate objective of the restructuring is to upgrade the quality of services offered to the shipping industry. The organizational and administrative structure of the Deputy Ministry has already been reviewed, and new arrangements were introduced, including a clear separation of functions and responsibilities under three distinct directorates in order to increase the efficiency of performance, as well as the optimization of performance of all available resources. The directors' posts were announced in 2019 and the selection is anticipated to be concluded within 2020.

Furthermore, particular importance has been attached on the rationalization of services provided, the re-engineering of processes and the upgrading of systems and methods. Priority is currently given to the development of electronic registrations of ships.

The Cyprus tonnage tax and seafarer scheme has been extended for a 10-year period (until 31<sup>st</sup> December 2029) after a positive formal assessment by the European Commission. The relevant EC decision (Dec 2019) found the scheme compatible with the internal market and in line with the guidelines on State aid to maritime transport. The scheme preserves the competitiveness of Cyprus shipping and provides the necessary stable environment to attract more investments in the shipping sector.

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<sup>21</sup> In relation to the structure of the ex - Department of Merchant Shipping which evolved into SDM

## **(f) Enhancing the tourism product**

Tourism has always been the heartbeat of Cyprus' economy and a major pillar for its recovery following the 2013 crisis. Defining a National Tourism Strategy 2030 was classed as the new Deputy Ministry's foremost priority based on the vision of developing Cyprus tourism in a sustainable way, with positive impacts in the economy, the society and the environment. As a destination, the aim is to combat seasonality and also disperse visitors to various areas and places of interest, all year round.

The key target of the Strategy is for tourism to provide an added value of around €1.5 bln per year to the Cypriot economy, by 2030. This represents an increase of 53% compared to a contribution of €2.9 bln in 2018. The strategic focus is to establish Cyprus as: a) a year-round destination b) a quality destination c) a digitally smart destination d) a place where all residents can benefit from tourism.

Some examples of initiatives that are planned under the new Strategy are the following:

- (i) Establishing Cyprus as a year-round destination, while rebranding Cyprus internationally, as a destination which offers more than sun and sea and improving airline connectivity to the island, to diversify our source nationalities and markets.
- (ii) Establishing Cyprus as a quality destination by supporting investments in special-interest products and improving our price competitiveness and value for money e.g. by modernizing legislation related to services like restaurants, taxis, rental vehicles, theme parks etc.
- (iii) Establishing Cyprus as a digitally smart destination by benchmarking our tourism services versus competing destinations, by leveraging data from online reputation management platforms and encouraging repeat visits to the destination e.g. through a loyalty scheme which rewards payments at a variety of attractions and transport mobility services.
- (iv) Establishing Cyprus as a place where all residents can benefit from tourism by spreading tourism revenue across all regions of Cyprus e.g. by promoting the authenticity of our rural and mountainous areas, along with spreading tourism wealth to other sectors of the economy e.g. by linking authentic gastronomy with agriculture.
- (v) Establishing Cyprus as an environmentally conscious destination.

The above and more examples are included in a detailed action plan prepared by the DM, for the next decade, which has been divided into specific time frames i.e. short term (2020-2022), medium term (2023-2025) and long term (2026-2030) and has been approved by Parliament, pending an environmental impact assessment to evaluate the «hidden cost» of tourism to the island. A series of key performance indicators (KPIs), many of which will be related to sustainable tourism development goals, have also been included in the strategy.

The strategy, was developed through discussions with a great number of tourism stakeholders: Government ministries, Members of Parliament, political parties, local authorities, airport operators (HERMES), port operators (DP World Limassol), marina operators, Cyprus Chamber of Commerce and Industry, Employers and Industrialists Federation, Regional Tourism Promotion Boards, Professional associations (e.g. CHA, ACTE, ACTA, OSIKA, PASIKA, InvestCyprus), labour unions, airline companies, overseas tour operators and travel agents.

### 3.5. Judicial system, legal enforcement of claims, issuance and transfer of title deeds and immovable property rights and anti-corruption reforms

#### **Country Specific Recommendation – CSR 5**

**Step up efforts to improve the efficiency of the judicial system, including the functioning of administrative justice and revising civil procedures, increasing the specialisation of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims and ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights. Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of law enforcement.**

#### 3.5.1. Increasing the efficiency of the Justice System

Acknowledging that the time required to adjudicate civil disputes particularly and the delays, have become a significant barrier to the effective operation of our country's justice system, and in order to improve the judicial performance, the Government has embarked on a very ambitious and holistic Courts' Reform project, designed to introduce an adequate, modern, accessible and efficient system. To this end, the Ministry of Justice and Public Order (MJPO), together with the MoF, and in close collaboration with all the stakeholders - the Supreme Court and the Cyprus Bar Association, are implementing a detailed action plan for a total overhaul of the judicial system. The implementation of the action plan is ongoing.

Despite the shortcomings in terms of the speed of concluding the cases, the justice system is characterised by quality, credibility and impartiality. This has been reflected in a recent public statement by the President of the European Court of Human Rights.

Reforms which are taking place cover, inter alia, the total restructuring of the Courts, the revision of the Rules of civil procedure, addressing the backlog of cases, including non-performing loan cases, the introduction of new recruitment and promotion criteria for judges, the training of judges, the establishment of new specialised courts and the introduction of modern IT systems and processes.

A major project relates to the *review of the Civil Procedure Rules*. The project was undertaken by a team of experts who worked in close cooperation with the Rules Committee set up by the Supreme Court, which is composed of Judges of all levels, lawyers, Legal Officers of the Legal Service of the Republic and a Registrar. A substantive revision of an English version of the Rules of Civil Procedure was completed in 2019. Following the on principle approval of the Rules by the Supreme Court, the drafting of certain additional, currently pending, sections of the Rules and the translation of the Rules in Greek are expected to be completed by June 2020.

The *clearance of backlog* of delayed cases which have accumulated in the courts, is a very critical and pressing task in the reform process. A President of a District Court has been appointed by the Supreme Court to act as "case manager" in order to monitor and oversee the timely handling of the backlog of cases. A taskforce of judges will be created through the recruitment of a number of additional judges, the procedure being under way, and the recruitment of supporting staff.

Within this framework, a bill drafted by the MJPO, provides for the *increase of the jurisdiction of the District Court Judges and the Senior District Court judges*, with regard to the amount of dispute they can hear and adjudicate, in order to allow more flexibility to the system. The bill was discussed in October and November 2019 in the competent Parliamentary Committee of Legal Affairs and is pending for discussion at the plenary session.

A decision was taken by the Supreme Court in February 2019 to assign the *handling of financial disputes* - judicial procedures relating to NPLs - to 6 already serving District Court judges. Appropriate training of the judges took place in December 2019. Additionally, a bill providing for the *creation of a new jurisdiction within the District Courts* was prepared by the MJPO in January 2019 and was submitted to the House of Representatives. According to the bill, any District Court Judge will have the jurisdiction to hear and determine any application concerning disputes arising out of or in connection with credit facilities, regardless of the amount of the dispute and regardless of the value of the property.

A study concerning the *establishment of a training school for judges* was completed in May 2017. On the basis of the recommendations of the study, relevant draft bills have been prepared by the MJPO in consultation with the Supreme Court. The bills were also discussed in October and November 2019 in the Legal Affairs Parliamentary Committee. In the meantime, a training programme is running and a number of training sessions have already taken place.

Furthermore, the MJPO a *bill amending the Civil Procedure Law*, to strengthen the legal framework for the *enforcement of judgments*. The provisions of the bill include measures that facilitate the execution of writs concerning the seizure of movable property. The bill was discussed in March 2020 in the Legal Affairs Parliamentary Committee and is now pending.

Another important development in the reform programme relates to the introduction by the Supreme Court of detailed and transparent criteria for the selection/appointment and evaluation/promotion of judges, a project which was also funded by DG REFORM of the European Commission and was completed in March 2019. Following the study the Supreme Court published in July 2019 new criteria for the recruitment of judges and on 2 October 2019 criteria for the promotion of judges. The new Judges who will be recruited under these criteria.

The *introduction of an electronic Court administration system* so as to digitise the operations of the Courts is one of the main pillars for the reform of the Justice system. To this end, a tender was launched in March 2017. Following the failure of the first tender process, the Evaluation Committee was reconstituted according to the judgment of the Tender's Review Authority, in order to re-evaluate the technical offers. Following the second technical evaluation of the tenders, recourses were again filed by a number of unsuccessful bidders at the Tenders Review Authority. The Tender Review Authority rejected the recourses and now a recourse is pending before the Administrative Court. In the meantime, a mini electronic registry has been prepared and installed in all Civil Registries and the Supreme Court to allow for a more efficient processing of applications, pending the full implementation of the e-justice system.

A study to examine the *introduction of digital audio recording of court proceedings* was carried out through DG REFORM of the European Commission. The feasibility study looked at the costs and benefits of this system in comparison to the current system of stenotyping and stenography in order to enhance the efficiency of courts, reduce delays in the hearing of cases and thus the length of court proceedings. The study was completed in August 2019 and its

recommendations are currently being assessed by the Ministry of Finance.

Another major component of judicial reform which is expected to contribute significantly towards the enhancement of the efficiency of the courts, is the establishment of *specialised Courts*, namely the Administrative Court, the Administrative Court for International Protection, the Commercial Court and a totally new Court of Appeal, as well as the establishment of specialised divisions in existing courts such as the financial disputes jurisdiction in District Courts which was briefly described above.

*The Administrative Court*, operational since January 2016, was strengthened with two additional judges as from September 2017. The improved performance of the Administrative Court continued throughout 2019. Pending cases at the end of 2019 decreased further by 23% to 4,373, as opposed to 5,700 at the end of 2018 and 8025 at the end of 2017.

On 9th July 2018, the Law for the *establishment and Operation of the Administrative Court of International Protection* was enacted (Law 73(I)/2018). The provisions of the Law provide for the transfer of cases relating to international protection to this court from the Administrative Court, so as to expedite the time for the trial of this category of cases, and simultaneously allowing the latter more time to deal with all other administrative cases. The decisions of the Court are subject to appeal before the Supreme Court only in relation to a legal issue. The new Court began its operation in June 2019 with 3 judges. The capacity of the court will soon be enhanced through the recruitment of 2 new additional judges (relevant amendment law was enacted in January 2020) and 10 administrative officers to provide support to the judges.

The bills for the *establishment of a Commercial Court*, which have been prepared following consultation with relevant stakeholders, are pending before the HoR for enactment. The basic bill includes provisions for the cases that will fall under the jurisdiction of the Court, the qualifications of the judges etc. The intention is to provide an appropriate forum for the determination of high profile commercial cases. The five judicial posts which are provided by the bills, have already been approved and are included in the state budget.

One of the most important of the structural changes is the *reoperation of the Supreme Constitutional Court and the Supreme Court* as per the Constitution thus splitting the current Supreme Court into two distinct courts, now being given a limited third-tier jurisdiction for the first time in Cypriot judicial history. The *new Court of Appeal* will be the court dealing with civil, criminal and administrative cases at second instance. The MJPO prepared and submitted four draft bills establishing the above Courts. The bills were submitted to the House of Representatives on 30 May 2019 and their discussion in the Legal Affairs Parliamentary Committee is now very much in progress.

An important prerequisite for the implementation of the above reforms is the provision of adequate and modern facilities in order to ensure the efficient functioning of the courts. To this end, the government has prepared and is currently implementing a very elaborate and expensive court building programme that prioritises needs, ensuring that the courts will, in the short-medium term, have appropriate buildings. The total cost for the building facilities is estimated to be in the region of €90 mln.

### **3.5.2. Ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights.**

Acknowledging that reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights are key for addressing challenges faced in the economy, including in the property market as well as in the financial sector, the authorities are in the process of improving the effectiveness of the overall framework.

#### **(a) Issuance of title deeds**

Since September 2016, the DLS has proceeded with the identification of all cases that involve developments, where the owners did not follow the procedure of issuing the titles deeds. For all those cases, DLS started the procedure of the compulsory update of the registrations.

The relevant applications were divided into two categories: (i) applications by the owner of the property (Developer), and (ii) compulsory applications that were initiated either by the buyers or by the Director of the DLS. Regarding the first category, the process is up to date (the number of applications completed within a year exceeds the number of new applications). Regarding the second category, applications have been initiated for all pre 2015 developments where the owners (developers) did not proceed with their responsibilities. Approximately 2,100 cases (about 35,000 title deeds) were initiated. By the end of 2019, about 900 cases (representing 13,000 title deeds), or 37%, were completed.

Furthermore, and in order to serve to the further improvement of the issuance systems in the future, the government is also proceeding with the reform of the licensing policy currently in place for developments. More specifically, the MoI, in cooperation with the Cyprus Scientific and Technical Chamber, prepared the document of the New Permitting Policy aiming to minimize the problems in the permitting procedure and create a modern, concise and well-structured legislative framework. In this New Permitting Policy document, a package of measures is proposed consisting short-term measures (e.g. introducing a new form of planning permit, categorizing types of development by risk analysis, reducing consultation, etc.) and long-term measures such as the radical review of the legislative framework for building permits. The drafting of the new legislative framework will be initiated in 2020, with the view to be adopted in 2022.

Beginning the implementation of the New Permitting Policy, the Minister of Interior announced the first measure that will be soon launched which concerns the simplification of procedures for buildings up to two dwellings. In this context, the Ministry is working intensively for the preparation of the necessary legislative documents (Mandates, Ministerial Decree) which will provide for the simplification of planning permit and the issuance of a building permit in one day for buildings up to two dwellings in approved or under construction plot. This measure, places responsibilities on architects and engineers and is expected to remove a load from permitting procedures of up to 50% from the building authorities. The legislative documents will be set in force after the necessary consultation, modifications and approvals take place.

Finally, it should be noted that the proposals under discussion with regards to the local government reform (see Section 3.1.3) also provide for new and more efficient licensing arrangements such as the establishment of single licensing authorities and the issuing of both planning and building permits, at district level.



## **(b) Transfer of Immovable Property Rights**

The enactment of the Transfer and Mortgage Law 9/65, as amended by L.139(I)/2015 («Trapped Buyers Law»), which was designed to protect the “Trapped Buyers”, namely those who had submitted their sale contracts at the Lands Registry up until 31st December 2014 (legacy cases), has led to positive progress in this area. Notably, in relation to the Legacy cases, 18,607 applications have been filed by DLS, out of which 10,559 have separate title deeds and 8,042 have no separate title deeds. Until now, 7,050 applications have been completed and the title deed has been transferred to the buyer (67% of the applications with title deed).

Following a court ruling which declared the «Trapped Buyers Law» as unconstitutional, the Law Office has filed an appeal against this decision. In parallel, to address this issue, on the 26<sup>th</sup> of July 2019, the Transfer and Mortgage Law, has been amended by L. 118(I)/2019, by amending the basic provisions of the «Trapped Buyers Law», in order to overcome the shortfalls in the current law.

Furthermore, the authorities have committed to promote legislation to deal with non-legacy and new property transactions. Currently consultation is taking place with stakeholders in order to promote amendments to The Sale of Immovable Property (Specific Performance) Law L. 81(I)/2011.

### **3.5.3. Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of the law enforcement.**

#### **(a) Implementation of the national strategy & action plan against corruption**

The fight against corruption lies within the top priorities of the Government of the Republic of Cyprus. The National Strategy against Corruption was approved by the CoM on the 28<sup>th</sup> June 2017. A five-year National Horizontal Action Plan against Corruption, for implementing the national strategy, was approved by the Council of Ministers on May 15<sup>th</sup>, 2019. The action plan aims at improving the political, social and legislative environment, through coordinated actions, in 6 key pillars: prevention, education, raising awareness and changing society's attitude and perceptions, modernization of legislation, suppression and monitoring. The national strategy against corruption refers to both public and private sectors.

The implementation of the five-year action plan against corruption is an ongoing process. While some actions have been completed, others are continuing. Furthermore, those actions that have been completed, but have a continuous character, will be repeated in the following years as well. In addition, the Cyprus Government, through its key competent authority in the area of fighting corruption i.e. the MJPO, has taken very drastic steps towards the acceleration of the anti-corruption reforms. This is reflected, amongst others, in the request for support that the Cypriot government submitted to DG REFORM of the European Commission, in the form of technical assistance requested for the acceleration of anti-corruption reforms through the implementation of the national action plan. The request has already been approved by the Commission and all preparations have started for the commencement of the project in May 2020, as planned, with the Council of Europe being the provider of the technical assistance.

All the planned measures aim at achieving a more effective implementation and monitoring of anti-corruption actions, in the context of the national strategy. Amongst others, the measures are expected to result to strengthened corruption prevention, through improved

administrative capacity, legislative framework and risk assessment methodologies; and improved strategic communication and increased public awareness on the need to fight corruption.

As regards the measures already completed or well advanced during the last couple of years, initiated before or after the introduction of the national policy, which serves now as an umbrella of actions in this area, these are listed here below:

- The enactment in December 2017 of the Law 180(I)/2017 on the fight against Manipulation of Sports Competitions aiming to combat corruptive behaviour in sports.
- The enactment in 2018 of the Law 3(I)/2018 for the Establishment and Operation of the Internal Affairs Service (IAS), missioned to inquire on and investigate all allegations and complaints (eponymous or anonymous) regarding corrupt practices or omissions, on the part of members of the police.
- The adoption of codes of conduct for Public Prosecutors.
- The establishment of the Office for Transparency and Prevention of Corruption in the MJPO, in late 2018.
- The designation of focal points in all Ministries and many other organisations of the public sector.
- Amendment of the Cyprus Constitution in December 2019 in order to restrict the terms in office of the President of the Republic to a maximum of two.
- The undertaking of various actions under the anti-corruption awareness raising campaign of the MJPO (e.g. creative competition for all higher education students in Cyprus for developing the anti-corruption campaign's logo, poster and motto).
- Implementation of the 2019 annual training plan for focal points which covered a wide variety of crucial and hot topics such as corruption and public administration, ethics and integrity as prerequisites for fighting corruption, fighting and preventing corruption in public procurement, and internal audit as a tool for fighting and preventing corruption.
- Training and awareness raising in public service in general.
- In the framework of raising public awareness the MJPO contributed with speeches and presentations regarding the National Strategy against Corruption to a number of events, trainings and conferences organized by NGOs and other bodies such as “The Cyprus Anti-Fraud Conference, Mar 2018”, “OLAF Cocolaf Meeting The Fraud Prevention Group, Nov 2018” , “Sound Management and Transparency and the fight against Corruption, Jun 2019”, “Transforming a Code of Conduct into an Effective code of Ethics, Oct 2019”, “Promoting Integrity and Transparency through education, Apr 2019”, “Corruption : Ora miden, Dec. 2019”, “How will Cyprus protect whistleblowers?, Feb. 2020”
- Close cooperation between the MJPO and NGOs in anticorruption efforts.
- The promotion of cooperation between public and private sectors in anticorruption efforts
- Preparatory work and consultation for the signing of a MoU with all Public and Private Universities in Cyprus for the promotion of anti-corruption efforts.

Further to the above, some key legislative reforms promoted in this area concern the following Bills which are before Parliament:

- **The Law for the Establishment of the Independent Authority against Corruption.** The Independent Authority will have as a primary responsibility to ensure the consistency and effectiveness of the actions taken by the public and private sector in preventing and combating corruption. The bill was submitted to the Parliament in March 2019. A parliamentary committee meeting discussion on the bill took place in March 2020.

- **The Law on the Enhancement of Transparency in Public Decision Making through the regulation of lobbying.** The bill is before the Parliament as of May 2019, while the discussion of the bill was initiated in September 2019.
- **Amendment of the “Reporting Act concerning Corruption (Complementary Protection Measures and Leniency) Law of 2015”** which includes provisions regarding the **protection of persons acting as whistle-blowers.** Discussions on the bill, pending before Parliament since May 2017, have now been concluded in the parliamentary committee.

#### **(b) Strengthen the capacity of law enforcement**

Corruption cases in Cyprus are investigated by the Cyprus Police, mainly by the Financial Crime Investigation Office of the Police Headquarters and the District Criminal Investigation Departments. Additionally, corruption cases against police officers are investigated by the Internal Affairs Service, which was established in 2018. The investigation of corruption cases is considered as a priority for the Police. Therefore, all the corruption cases are assigned to experienced police investigators who are supported by specialists such as forensic accountants, digital forensic experts, etc.

In September 2019, after instructions of the Chief of Police, the Financial Investigations Team was established under the supervision and command of the Financial Crime Investigation Office of the Police Headquarters, in order to contribute with their expertise and knowledge in the investigation of corruption and other financial crime cases. The Cyprus Police is in the process of recruiting four additional financial analysts- certified accountants/auditors who will be placed in the newly formed Financial Investigations Team. The recruitment process is expected to finish in 2020. The specialized work of the Financial Investigation Team is expected to increase the effectiveness of the Cyprus Police, in investigating corruption and other financial crime cases.

In addition, the HoR, in order to strengthen further the capacity of law enforcement, approved a law that allows, under strict circumstances, the monitoring of private communication.

Furthermore, all police investigators who deal with the investigation of corruption cases are very well trained. They have to attend a specialised financial crime investigation course which is held once a year at the police academy and they are encouraged to attend other specialised courses and seminars in Cyprus and abroad.

It is reiterated that, available statistics indicate a high rate of cases completely investigated by the Cyprus Police out of the total number of corruption cases filed. More specifically, between 2013 and 2018, out of a total number of 120 corruption cases filed, investigated or under investigation, 98 have been completed, with 37 persons been convicted for corruption in 26 cases, out of which 12 high-level corruption convictions.

#### **- Fighting corruption within the Police Force**

The IAS was established and operated in the Cyprus Police in 2018, by the enactment of Law 3(I) / 2018. Its mission is to fight police corruption within the Police, by collecting and processing information related to police corruption and investigate and prosecute cases of police corruption. All the information is given by police officers or citizens to the Service, in writing, by phone or online. Administratively, the IAS, reports directly to the Chief of Police, whereas its powers and authorities are directly supervised by the Attorney General, or by an

Attorney that the Attorney General appoints for this purpose.

In addition to the above, it is to be noted that in 2018, the same year of the establishment of the IAS, in order to prevent corruption in the Cyprus Police, different amendments have been made to the Police Law (N.73(I)/2004) and to relevant regulations. These aimed to introduce, amongst others, stricter penalties for disciplinary offences, longer time for the disciplinary deletion, absence or write off of a disciplinary punishment to be a precondition for promotion purposes, imposition of a mandatory penalty for dismissal or coercion in case of a conviction for a criminal offence of corruption, and inclusion of relevant psychometric test in the recruitment criteria.

### **(c) Safeguard the independence of the prosecution**

The independence of public prosecution is provided for by the constitution and there has been no documentation, over time, on a need for a change on current status. On the contrary, evidence on prosecutions and convictions of public persons (mayors, MPs, members of the administration and other government agencies), do not indicate an issue to resolve.

A functional review of the Law Office was carried out by independent experts (May 2018) and also did not point to the need for any change as regards the independence of public prosecution. There was however a recommendation for increasing the specialization of the public prosecutors within the Law Office. This was taken up in the context of an Action Plan for the reform of the Law Office, endorsed by a CoM's Decision in October 2019. In addition, on the basis of the recommendations included in the above functional review, a draft law has been prepared which includes provisions for new recruitment procedures (the "Attorneys' Committee").

Finally, on the proposal of the Government, the HoR recently approved the increase of the remuneration of all levels of counsels of the Republic at the Office, except the entry level, in the context of the annual budget law.

### **(d) Other reforms - improving asset disclosure procedures**

There are two different bodies entrusted with the verification of asset declarations in Cyprus, whose actions and responsibilities serve to safeguarding the transparency of the whole system in place.

Asset declarations of the President of the Republic, ministers and members of the HoR are submitted to a special parliamentary committee and the latest were published in 2019.

The body entrusted with the verification of the other officers and politically exposed persons (PEPs) declarations is a special Council, consisting of three members appointed by the CoM in 2017. According to article 6, paragraph 1, of the law providing for the submission of declarations by other officers and PEP's, the responsibility of this 3-member Council is to consider whether there is compliance with the obligation to submit a declaration and whether it is in accordance with the provisions of the Law.

Article 7 of the law provides that "the Council may initiate an investigation into the content of the declaration, if any of the following conditions are met: (a) when there is a written complaint on oath before the Council that a certain official or a publicly exposed person has a direct or indirect or covert benefit, which, as the plaintiff reasonably believes, is not

included in his statement; (b) when the statement appears to have contained untrue information or when it appears from the preceding statement that there is an increase in the property of the official or publicly exposed person, or of his minor children, without sufficient justification of the specific increase with reference to the method of increase and its origin”.

In addition, article 8A of the law provides that part of the statement submitted by each official is published on the internet and in addition the names of those who have not submitted a statement are also published.

The Council, within the above powers and responsibilities assigned to it by the Law, has examined all the statements of the officials submitted for the first time in 2018 against the evidence submitted. It should be noted that, during this first year of submission, fines were filed for non-submission only for 16 officials that did not respond, out of the 1,459 public officials requested to submit their declarations under the above law.

According to the law, a new statement is submitted in three years from the previous one or when the official leaves office. If there is a need, an independent auditor is appointed for further investigation of the cases examined by the special Council.

## **PART B – OVERALL INVESTMENT STRATEGY**

### **Overall Investment Priorities**

The strategic guidelines and growth policy orientations, governing the allocation of budgetary resources in response to the main investment needs of the country, over a medium term horizon, are outlined in the Government Strategy Statement and, accordingly, in line Ministries' Strategic Plans which underpin the Government's budget framework. These are additionally reflected and complemented by more detailed policy orientations in sector specific or horizontal national strategies and action plans, as well as in the current NRP serving to the alignment of the reform agenda with the key priorities of the strategic framework for investments.

The overall aims of the Government's investment strategy under the above strategic framework are to increase the growth potential of the economy, to improve international competitiveness and safeguard the long term sustainability of growth. The utilization and further development of comparative and competitive advantages, the diversification of the productive base, the enhancement of the competitiveness and extroversion of the Cypriot enterprises and the promotion of economic sectors of high contribution to economic growth and sustainability, both social and environmental, remain key objectives over time.

The above objectives relate to investments by both the public and private sectors. In order to make Cyprus more attractive to both local and foreign investors, emphasis was placed during the last years on reforms that aim, amongst others, at creating an efficient and growth enhancing business environment, facilitating investment, streamlining of procedures and introducing institutional and other reforms aim at increasing the efficiency of the public sector, improving the efficiency of justice delivery, incentivise digitalization and investments in R&I. These are reflected in the reforms and the investment prioritisation outlined under the previous sections of the NRP.

It should be noted however, given the COVID-19 outbreak and the subsequent consequences to the real economy and public finances, the Government of the Republic of Cyprus will need to reassess and may re-prioritise its investments for the next few years, taking into account the necessary investments that need to be immediately promoted in order to finance/subsidise the implementation of the emergency measures already decided in response to COVID-19. The full assessment and decision making on the reprioritization of the country's investment portfolio will be completed once the spread of the pandemic is stabilized and some safe conclusions can be drawn about the length and magnitude of its effects.

As mentioned under section 3.1.5, a project has been initiated in 2020, supported by DG REFORM and on the basis of a relevant proposal of the Cyprus Economy and Competitiveness Council, on the development of a new strategy for the sustainable long-term growth of the Cyprus economy. Concrete policy directions for targeted reforms and investment in the next 10-15 years are envisaged and these will inform further our assessment of future investment needs. Currently, being at the first phases of the project and more specifically at the stages of assessing the current situation and policies in place, while identifying existing and potentially new drivers of growth, via both economic analysis and effective stakeholders' involvement, it is envisaged that the differentiated conditions but also perspectives, from the outbreak and the severe consequences of the pandemic, will be properly integrated in the development and the outcomes of the project.

## Investment priorities under ESIF 2021-2027

Based on the five broad Policy Objectives stipulated in its Proposal for the regulatory framework governing Cohesion Policy in the 2021-2027 period, the European Commission has provided suggestions for priority investment areas for ESI funding in Cyprus, in the context of its 2019 Country Report (Annex D).

These suggestions provided the basis for the deliberations conducted between DG EPCD - as the National Programming Authority and Managing Authority for ESI Funds in Cyprus - and the competent Commission Services, according to the relevant programming provisions of the proposed regulatory framework for the period 2021-2027 (i.e. formulation of a Partnership Agreement and preparation of Operational Programmes).

Nevertheless, it must be noted that the five Policy Objectives to be pursued by ESIF actions in the next programming period, do not diverge at a great degree from the eleven Thematic Objectives being targeted during the current programming period. For the 2021-2027 period the majority of European Regional Development Fund (ERDF) investments will be geared towards the first two objectives (a Smarter Europe and a Greener Europe). Hence, the sectors of Research/Innovation, SMEs, Energy and Environment - which are already targeted in the context of the ongoing Operational Programmes (according to the current thematic concentration) - will continue to constitute policy investment areas in the forthcoming programming period as well. On the other hand, a number of various projects already initiated through ESI funding in Cyprus in the current programming period will also have a rollover effect in the 2021-2027 period, due to their high degree of success, effectiveness and relevance to the new five Policy Objectives.

It should be noted that, with the view to effectively serve to the management of the unprecedented health crisis caused by the outbreak of COVID19, both at national and EU level, Cyprus will try to make best use of the recent amendments provided through the Coronavirus Response Investment Initiative (CRII & CRII + plus) in order to contribute primarily in terms of the necessary capacity in the health sector and, in a second stage and after taking into account the magnitude of the crisis, in supporting those businesses and employees mostly affected.

### - SMEs

One of the major problems that SMEs face in Cyprus is their access to finance, so taking measures in this direction is of paramount importance. Recognizing this – and as analysed in section 4 – a significant amount of ESI funding is targeted towards the improvement of access to finance, especially for SMEs.

As also recognized in the ex-ante assessment study conducted by the European Investment Bank (EIB) in 2017, there is significant funding gap for Cypriot SMEs, which needs to be tackled over the next years. Hence SMEs and their access to finance will continue to constitute an area of action for ESIF Funds in the new programming period as well, through the promotion of both relevant and targeted grant schemes and financial instruments.

## - **Digitalisation**

It is widely accepted that digitalisation is an important mean for the enhancement of the competitiveness and the modernization of the Cyprus economy. In this respect, it is important to continue encouraging enterprises to take advantage of the benefits provided by information and communication technologies. Great needs are also identified in the public sector and the local authorities. In this respect, efforts should be geared towards e-governance, aiming to increase the effectiveness and efficiency of the services provided to citizens and enterprises. A number of projects is being implemented in the current programming period (such as the information system of the Town Planning and Housing Department and the IT System - along with relevant other processes - for the National Health System), but there is further scope for similar projects, due to the range and complexity of the functions and services provided by the public sector.

## - **Research and Innovation (R&I)**

Investment in R&I remains vital for the enhancement of Cyprus' competitiveness. In this respect, it is important to continue placing emphasis on the sectors that were identified by the Smart Specialization Strategy, as well as keep encouraging the cooperation between enterprises and academia and focus on market-oriented research.

Enhancement of capacity building in R&I is also of particular importance, so investments are needed for increasing the number of researchers as well as the number and capacity of research infrastructures. It must be kept into consideration, though, that Cyprus is a service oriented economy and there is lack of large industries that could take advantage of R&I investments; most of the enterprises are micro with limited export orientation, whilst the remote location of Cyprus and the small size of the domestic market are disincentives for attracting high-tech companies in the country.

## - **Environment and Climate Change**

Cyprus's location - in the South-East Mediterranean – renders it increasingly vulnerable in regard to the effects of climate change compared to other European regions (such as frequent and intensive extreme weather events, long heat-waves, dust storms, droughts and other). In this respect, several projects have been promoted to mitigate the effects of climate change such as breakwaters at several coastal areas as well as anti-flooding projects in several urban areas.

Furthermore, recent investments - particularly in solid waste and water management - are still not sufficient to achieve full compliance with environmental regulations. Solid waste treatment and management plan and sewerage systems (plant and the network) as well as tertiary treatment of water are some of the projects undertaken. However, the needs in this area are enormous and the investments required are high in budget. It is of outermost importance to continue and further enhance projects on environment and climate change.

## - **Energy**

Another important area with a considerable investments gap is energy and consequently reduction of CO<sub>2</sub> emissions. A considerable shift in energy production and consumption, increasing significantly electricity production and consumption from RES, is required. RES



represent currently around 13% of energy production in Cyprus, the remaining 87% coming from heavy fuel oil and diesel from conventional power plants. The shift would allow phasing out/smooth transformation of the highly pollutant oil power plants in Vassilikos and Dhekelia. Also, there is a need to invest in cleaner technologies to make manufacturing production more efficient and less pollutant, particularly in regard to the Vassilikos cement factory. In addition, storage technologies and smart management of conventional units can lead to reallocation of work, provide flexibility to the system and introduce more RES.

Financing gaps both in the broader energy efficiency sector and in the use of RES have been also identified in the EIB's ex-ante assessment of June 2017. Especially on the use of RES, significant financing gaps have been identified for the private sector (both households and SMEs), which led the government to design a financial instrument for this purpose. On top of this, several grant schemes have already taken place targeting households and SMEs in regard to energy saving. Both of these schemes have shown considerable uptake.

Furthermore, it is also required to maintain and enhance the competitiveness of the tourism industry during transformation and modernisation process in making the tourism sector more sustainable.

In addition to the aforementioned actions, there are great needs for investments towards energy saving and energy efficiency in public buildings, since a great number of these buildings are of low energy performance.

#### **- Transport /Public Transport / Urban Mobility**

Infrastructure and promotion of public transport and promotion of urban mobility is also an area with significant added value. Cyprus has at present one of the highest car ownership ratios in the world (600 cars per 1,000 inhabitants) and a very low use of green transport, which results to a relatively high amount of CO<sub>2</sub> emissions. Promoting the use of electric vehicles, instead of conventional vehicles, could contribute significantly to the reduction of CO<sub>2</sub> emissions. In addition, all cities are facing serious traffic problems with negative effects on the environment (air pollution, noise), road safety and the quality of life. Several projects are co-financed by the EU funds, which include the promotion of alternative ways of mobility, such as cycling lanes running among major axes and pedestrian spaces at the city centre.

Unfortunately, Cyprus depends entirely on road for its internal movements. The non-feasibility of establishing and operating a railway network and other fixed track systems, imposes full reliance on road transport, a fact which dictates the construction of a modern and safe road network. Interventions in the sector of public transport mainly concern the upgrading and modernization of the road network, which constitutes part of the Trans-European Networks (TEN-road projects) and in particular the sections linking the entrance portals to the big urban centres, the ports and airports.

In parallel to this, there is a need for upgrading the secondary links, especially in rural areas, which do not stand to benefit from the upgraded primary road network (in the current programming period: primary road connecting the new Limassol Port with the Limassol-Paphos highway/vertical road has been completed).

In general, the interventions concerning infrastructure in the transport sector aim primarily at containing the effects from the insular character of the country, as regards its geographical isolation from the other EU countries, and also at solving accessibility problems in and from

the mountainous areas. At the same time, they also seek to address the significant lack in public transport and the improvement of the attractiveness of the urban areas of the country. Additional measures aiming to promote the use of public transport are also of great importance.

#### **- Regional Development**

Another important investment need for Cyprus is regional development, which is mainly due to the inequalities existing between urban and rural areas, as well as the inequalities that exist within these areas. In the current programming period, a substantial amount of ERDF was dedicated to urban development, whilst one of the most important achievements in this endeavour is the active involvement of local authorities in both the design of integrated strategies for their areas and in the process of projects' selection.

More specifically, investments were concentrated in the four city centres of Cyprus, where many deprived neighbourhoods and areas were identified. The projects being implemented in the city centres have succeeded to regenerate the urban environment, encourage the creation of new businesses, and improve the sites of cultural heritage thus attracting more visitors, as well as tackling the specific societal challenges of each area through renovation of social infrastructures and enhancement of social services provided.

#### **- Employment/Social Inclusion/Human Resources**

As a result of the economic crisis, unemployment (and particularly youth unemployment) still remains one of the main challenges faced by Cyprus.

A number of measures have been adopted at national level in order to boost growth and tackle the unemployment challenge, with a significant contribution by ESIF. Under this framework, seven targeted subsidy schemes were announced in order to promote the employment of unemployed. Especially in regard to youth unemployment, it is generally recognized that measures promoted under the ESF and YEI, had a positive impact during the recent years.

Measures to promote social inclusion and activation of vulnerable groups of population who are threatened by increased risk of poverty and social exclusion remain at a high priority level in the context of the country's social protection policy. Following the economic crisis, the high unemployment rates as well as the high migration flows to Cyprus, have forced the poverty rate to an increase. An ESF funded project providing School Actions of Social and Educational Inclusion (also known as DRASE) has had a critical contribution to the achievement of the target for tackling early school leaving. The said project can be intensified and expanded in the future to include a bigger number of schools but also a wider spectrum of activities.

#### **- Vocational education and training**

The VET system of Cyprus can play a vital role in the forthcoming years, in terms of mitigating the adverse effects of the economic crisis on the labour market and specially in tackling youth unemployment. Several actions have already been taken with ESIF co-financing during the current programming period. However, there are still a lot of steps to be taken in order to enhance the attractiveness of secondary VET and match specialisations with the current needs of the labour market.

In addition, VET could be an important part of the Cyprus Lifelong Learning Strategy, whose main actions include the enhancement of lifelong guidance and counselling services, and the development of a national qualifications framework (NQF).

## 4. UTILISATION OF EU FUNDS

For the Programming Period 2014-2020 Cyprus has been allocated a total amount of €998.4 mln from the European Structural and Investment Funds (ESI Funds), as follows:

- European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF) and Youth Employment Initiative (YEI): €826.5 mln.
- European Agricultural Fund for Rural Development (EAFRD): €132.2 mln.
- European Maritime and Fisheries Fund (EMFF): €39.7 mln.

For the effective utilisation of the abovementioned resources, Cyprus has prepared a comprehensive strategic document, called the Partnership Agreement (PA). The PA aims at securing the synergy and coordination among the ESI Funds allocated to Cyprus, so as to achieve effective results that will enhance growth and job creation in Cyprus. The main strategic objective of the PA is the restructuring of the economy, the preservation and creation of new jobs and the safeguarding of social cohesion. This objective will be attained through the following three funding priorities:

- Supporting the restructuring and strengthening the competitiveness of Cyprus economy,
- Upgrading human resources, promoting employment and social cohesion, and
- Protecting the environment and promoting the efficient use of resources.

At the same time, the promotion of sustainable local development constitutes a horizontal priority of the PA.

The funding priorities set out in the PA were derived primarily from the analysis of the country's development needs and perspectives, the country-specific recommendations issued by the European Commission, and the national targets set in the context of the Europe 2020 Strategy.

In order to attain the aforementioned priorities, Cyprus decided to allocate its ESI Funds to the following Thematic Objectives (TOs):

Thematic Objective	ERDF (€ mln)	ESF/YEI (€ mln)	CF (€ mln)	EAFRD (€ mln)	EMFF (€ mln)	Total (€ mln)
1. Research & Innovation	66.5	0	0	1.31	0	<b>67.81</b>
2. Information and Communication Technologies (ICT)	54.5	0	0	0.32	0	<b>54.82</b>
3. SME Competitiveness	67	0	0	33.89	10.87	<b>111.76</b>
4. Energy	27.6	0	105.75	5.82	0.17	<b>139.34</b>
5. Climate Change	11.8	0	0	29.57	0	<b>41.37</b>
6. Environment	51.15	0	139.33	36.69	22.61	<b>249.78</b>
7. Transport	0	0	34.25	0	0	<b>34.25</b>
8. Employment	0	64.07	0	7.95	4.93	<b>76.95</b>
9. Social Inclusion and Poverty	15	54.02	0	14.26	0	<b>83.28</b>
10. Education-Life Long Learning	0	17.0	0	1.06	0	<b>18.06</b>

11. Institutional Capacity and Public Administration	0	14.06	0	0	0	<b>14.06</b>
Technical Assistance	6.35	1.43	15.54	1.38	1.13	<b>25.83</b>
<b>TOTAL</b>	<b>299.9</b>	<b>150.58</b>	<b>294.87</b>	<b>132.25</b>	<b>39.71</b>	<b>917.31*</b>

\*Additional €32.7mln of ERDF was allocated to European Territorial Cooperation, whilst €48.4mln of Cohesion Fund was allocated to Connecting Europe Facility.

As regards the relevance of ESI funding to the Europe 2020 targets, it is noted that most of the TOs selected for investment during the 2014-2020 programming period do contribute to the national targets set for Europe2020 strategy, as illustrated in the table below:

National Targets	Thematic Objectives	Indicative Percentage of ESI funds contributing to the National Target
Employment target	TO3, TO8	21%
R&D target	TO1	7%
GHG emission reduction target	TO4, TO5, TO6	47%
Renewable energy target	TO4	15%
Energy efficiency target	TO4	15%
Early school leaving target	TO9, TO10	11%
Tertiary education target	TO10	2%
Poverty target	TO9	9%

Further to the overall/general correlation between the funding priorities set in the PA and the country-specific recommendations, support from ESI funds affects certain aspects of the CSRs. More explicitly:

- With respect to CSR 3 “*Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people. Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care. Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability*”, ESI funding in the context of the Operational Programme “Employment, Human Resources and Social Cohesion 2014 - 2020” has been allocated to targeted interventions aiming to create synergies and complementarity in order to maximize the effectiveness of the funding.

With regards to the increase of the capacity and effectiveness of the PES and the reinforcement of the outreach and activation support for young people who are not in employment, NEETS, a dedicated project for the modernisation and enhancement of PES capacity is being implemented. In the course of the project, 30 PES counsellors have been hired (temporary staff) and an integrated monitoring and evaluation system for the Active Labour Market Policies (ALMPS) has been developed. In addition, the outreach and activation of NEETS is pursued through the implementation of a project providing Consulting and Vocational Guidance for NEETS. Moreover, two aid Schemes for the employment of unemployed youth of up to 25 and from 25-29 years old respectively are being implemented. Two additional projects cover traineeship opportunities for young graduates in order to obtain the necessary professional qualifications, facilitating their entry into the labour market.

As far as the reform on the education and training system is concerned, a dedicated project (through ESF funding) for the development of the Technical and Vocational Education and Training System is being implemented aiming to upgrade the attractiveness, the quality and effectiveness of VET System at all levels in Cyprus.

In addition to the above, measures have been taken in order to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability. In this context, an IT project for the Health Insurance Organisation has been developed with the support of ERDF funding, through the Operational Programme “Competitiveness and Sustainable Development 2014-2020”. All basic functions relating to the provision of services within the General Health System will be carried out through the aforementioned System. The System will cover the operating functions of the Health Insurance Organisation, as well as those of the providers and the beneficiaries.

- With respect to CSR 4 “*Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within the Member State. Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licenses. Improve access to finance for small and medium-sized enterprises, and resume the implementation of privatisation projects*”, ESI funding is targeted towards the improvement of access to finance especially for SMEs. Specifically, in order to support the competitiveness of Cypriot SMEs and facilitate their access to finance, several Grant Schemes have been promoted through ESIF financing in the context of the Operational Programme “Competitiveness and Sustainable Development 2014 - 2020”, the most relevant being: The Grant Schemes for youth and women entrepreneurship, the Grant scheme for the enhancement of competitiveness of manufacturing SMEs, the Grant Scheme on Energy Upgrading, Grant Schemes within the scope of RESTART/Research projects and the Grant scheme for strengthening business innovation.

Furthermore, the use of financial instruments is also promoted in the context of the Operational Programme “Competitiveness and Sustainable Development 2014 - 2020”. An amount of €40 mln has been earmarked for this purpose, which is twice as much the amount delivered in the 2007-2013 period. Based on the results of the 2017 ex-ante assessment, a new loan instrument will be soon become available to households and enterprises, in the fields of energy efficiency and renewable energy sources, after the selection of local financial intermediaries by the EIB.

In addition, ESI funds also support the Advice for Small Business Facility - implemented by the EBRD, on behalf of the Ministry of Energy, Commerce and Industry – which provides expert assistance, business advice and targeted training to new and existing SMEs.

More details on both the above supporting tools are provided in Section 3.4.3 (a).

As regards the **overall implementation** of ESI funds, it is noted that by the end of 2019, 55% of ESF funding and 56% of ERDF funding has been reimbursed to Cyprus. The said percentages have rendered Cyprus first - among the 28 Member States - in terms of absorption for ERDF and ESF funds. As regards CF funding, around 38% has been reimbursed, enabling Cyprus to rank eighth among the 15 Member States receiving support by the Cohesion Fund. For the year 2019, in particular, a total of € 392.8 mln from all ESI Funds has been certified

by Cyprus to the European Commission (an amount of €406.7 mln that overshoots the target set for 2019 by 104%).

So far, ESI funding has paved the way for over 85 enterprises to be supported in introducing new products and over 250 enterprises have been supported in the manufacturing sector. In addition, 125 enterprises have been supported in order to upgrade the energy efficiency of their building - including the use of Renewable Energy Systems - and 480 young people and women have been approved to receive financial support in order to create and develop their own enterprises.

As regards **waste management**, a new solid waste plant has been completed and the capacity for the utilization of biodegradable materials is expected to reach 210,000 tons per year by the end of the current Programming Period. Furthermore, in order to enhance prevention, reduction and separate collection of solid waste, a pilot project for the areas of Larnaca and Ammochostos has been implemented, with a total budget of €6.2 mln. Based on the pre-mentioned pilot project, a similar project is already initiated, aiming to enhance the prevention, reduction and separate collection of solid waste in the areas of Limassol and Paphos, with a total budget of about €5 mln. In this context, another project is currently being designed for the establishment of the pay-as-you throw system, in order to put in place, the necessary mechanisms and regulatory framework that will enhance the separate collection of solid waste in line with the “polluter pays” principle. Similarly, Green Points in Limassol, Alambra and Paphos have been completed, whereas many more are already underway.

Aiming at the enhancement of **water management**, the Water and Flood Management Plans (€0.4 mln) and the Athienou Sewerage System (€11.5 mln) have been completed, whereas, the Solea Sewerage System (€21 mln) is being implemented as a Phased Project and various other sewerage projects, of about €50 mln are being initiated. The construction of a dam in Tersephanou (€24 mln) that will be used to store recycled water from the Larnaca sewage treatment plant to irrigate cultivations in the area has been signed.

As regards the measures taken to reduce the effect of climate change, it should be noted that 30 breakwaters with a total budget of €16.7 mln have been constructed in order to protect coastal areas from **erosion**. The areas protected through these projects are Larnaca, Pervolia, Germasogia, Yeroskipou and Polis Chrysochous.

Furthermore, in order to protect the **environment and biodiversity**, a budget of €8mln has been allocated for projects in the area of Natura 2000 Network. These projects aim at protecting and restoring the biodiversity (habitats and species of the Natura 2000 network), and the ecosystem. In this context, actions of €0.4 mln have been implemented for the preservation of the Akamas National Forest Park.

Regarding the field of **sustainable transport**, the major project of the Vertical Road – Primary Road connecting the Limassol Port with the Limassol - Paphos highway has been completed. The road has been implemented over two Programming Periods and it has contributed significantly to both the construction and the reconstruction of Trans-European Networks. It aims to reduce traffic within the Limassol city centre, increase travel speed and reduce travel time for Heavy Goods Vehicles. Other indicative measures include the introduction of a Telematics System for Busses (€5.5 mln), which has been completed and the Network of Cycle Paths in Nicosia (€6 mln) and the Regeneration of the Commercial Triangle Makariou - Stasikratous – Evagorou (€28.8 mln) which are under implementation.

In the field of **sustainable urban development**, projects of over €140 mln are promoted in the 4 major city centers of Cyprus. Built areas of 3.000 sq. meters are expected to be rejuvenated while additional 100,000 sq. meters of open spaces will be created or improved. By the end of 2019, 20 projects have been approved for €123 mln (7 by Paphos Municipality, 4 by Nicosia Municipality, 5 by Limassol Municipality and 4 by Larnaca Municipality).

Regarding the **ICT sector**, by the end of 2019, 7 projects have been approved for a total budget of €61.2 mln, aiming to enhance the access to and use of information and communication technologies by citizens, businesses and public administrations. Examples of approved projects that are under implementation are: a) the Development and Implementation of the Information System of the National Health Insurance System (€13.9 mln), b) the Information System for Town Planning and Housing Department “Ippodamus” (€6.5 mln) and c) the Enterprise Resource Planning and Human Resources System for the Public Sector (€23.3 mln).

In the **fisheries sector**, three Community-led Local Development Strategies for €6.6 mln are being implemented aiming at the improvement of the fisheries areas. In addition, €26 mln are being channeled for grant schemes and projects.

Furthermore, by the end of 2019, over €70 mln have been invested for improving the conditions of **social inclusion** for vulnerable groups in addition to €4 mln for providing food/material **assistance to the most deprived**.



## **5. INSTITUTIONAL ISSUES AND STAKEHOLDER INVOLVEMENT**

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The NRP has been prepared in close cooperation with all competent Ministries and other Services. It was approved by the Council of Ministers on May 7, 2020

In addition, there has been a consultation with local authorities, social partners and other stakeholders. This year a new consultation procedure was followed on a pilot basis in an effort to improve the effectiveness of the process. Social partners were asked to submit their views directly to the competent line Ministries/Services at the initial stage of the preparation of the NRP, to be taken into account when the Ministries were preparing their own contribution to the NRP. This was in contrast to the previous years' process, where following submissions by line Ministries to the DG EPCD, a first draft of the NRP was prepared by the latter and sent to these bodies asking them for their views, which once received, were then put before the responsible Ministries for incorporating, possible, changes in the final NRP.

The comments received in the context of this consultation related mainly to the policy areas of public administration reform, education, health reform, labour issues, the financial sector, justice, digitalization, e-governance, R&D, environmental sustainability, sustainable transport, tourism, shipping, etc.

It is further emphasised that stakeholder involvement is an inherent element of the normal procedure for the initial formulation of most policy measures and initiatives at Departmental and Ministerial level. Hence, the active engagement of the parties affected has been safeguarded also through standard consultation practices in the large majority of areas covered by the NRP such as labour, education, health, transport, public administration, tax system, tourism, justice, etc.

Furthermore, a stakeholder consultation has taken place during the preparation of the government's strategy adopted for dealing with the crisis caused by the COVID-19 pandemic.

## **Legislation for enabling and regulating the smooth implementation of GHS**

### **A. Regulations**

1. Regulation on Co-payments, Maximum co-payments, Type I contributions and Type II contributions, as amended (Regulatory Administrative Act 36/19).
2. Regulation on the collection and/or withholding and/or payment of the contributions (Regulatory Administrative Act 37/2019).
3. Regulation on Personal Doctors (Regulatory Administrative Act 132/19).
4. Regulation on the Children of a Beneficiary over the age of 21, who are depended on them and on the evidence regarding the habitual residence (Regulatory Administrative Act 241/19).
5. Regulation on Specialist Doctors (Regulatory Administrative Act 133/19).
6. Regulation on Laboratories (Regulatory Administrative Act 158/19).
7. Regulations on Pharmaceutical products, Medical devices and Medical hygiene supplies (Regulatory Administrative Act 159/19).

### **B. Internal Regulations**

1. Internal Rules on voluntary insurance 2020 (Regulatory Administrative Act 48/20).
2. Internal Regulation on Drugs Advisory Committee (DAC) [Regulatory Administrative Act 75/19).
3. Internal Rules on Personal Doctors 2019 (Regulatory Administrative Act 186/19).
4. Internal Rules on Specialists Doctors 2019 (Regulatory Administrative Act 189/19).

### **C. Decisions**

1. Decisions on the Insurance cover for damages due to negligence 2019, as amended (Regulatory Administrative Act 43/19).
2. Decisions on the amount of remuneration of Personal Doctors for the period 1<sup>st</sup> of June 2019 to 31<sup>st</sup> - December 2019, as amended (Regulatory Administrative Act 53/19).
3. Decisions on the procedure governing the registration, the change or the withdrawal from personal doctor's list 2019 (Regulatory Administrative Act 115/19).
4. Decisions on establishing the procedures based on which a beneficiary may register or withdraw from the System, as well as the procedures for the commencement, renewal and termination of the right to healthcare services 2019, as amended (Regulatory Administrative Act 164/19).
5. Decisions on the amount of remuneration of pharmacists for the period 1<sup>st</sup> of June 2019 to 31<sup>st</sup> - December 2019, as amended (Regulatory Administrative Act 195/19).
6. Decisions on the amount of remuneration of Specialists Doctors excluding Specialists Doctors specialising on Radiology, Pathological Anatomy, Medical Biopathology, Microbiology, Cytology, Nuclear Medicine between 1<sup>st</sup> of June 2019 to 31<sup>st</sup> – December (Regulatory Administrative Act 197/19).
7. Decisions on the amount of remuneration of laboratories between 1<sup>st</sup> of June 2019 - 31<sup>st</sup> of December 2019 (Regulatory Administrative Act 259/19).
8. Decisions on the amount of remuneration of Specialists Doctors specialising on Radiodiagnostic or Radiology between 1<sup>st</sup> of June 2019 -31<sup>st</sup> of December 2019 (Administrative Act 268/19).

9. Decisions on the amount of remuneration of Specialists Doctors specialising on Pathological Anatomy or Cytology between 1<sup>st</sup> of June 2019 - 31<sup>st</sup> of December 2019 (Regulatory Administrative Act 310/19).
10. Decisions on the amount of remuneration of Specialists Doctors specialising on nuclear medicine between 1<sup>st</sup> of June 2019 to 31<sup>st</sup> - December 2019 (Regulatory Administrative Act 345/19).
11. Decisions on the refund of contributions paid to the Organisation on the amount exceeding the maximum contribution amounts (Regulatory Administrative Act 43/20).
12. Decisions on the Scientific Committee of Doctors 2020(Regulatory Administrative Act 49/20).